

2/27/78 [2]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Pres. Carter to Sec. of Treasury, et al, 11 pp., re:Oil import assessment	2/27/78	A
Cabinet summaries	Andrew Young to Pres. Carter, 1 pg., re:UN activities opened 3/26/08 BME 06-113	2/24/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 2/27/78 [2] Box 74

RESTRICTION CODES

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- (B) Closed by statute or by the agency which originated the document.
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CONFIDENTIAL

February 24, 1978

TO: President Carter
THROUGH: Rick Hutcheson
FROM: USUN - Ambassador Young
SUBJECT: U.S. Mission to the United Nations Activities
February 15 - 22

1. SECURITY COUNCIL: The Government of Chad withdrew its complaint of Libyan aggression in the northern part of its country and the scheduled meeting of the Security Council to take up the matter was cancelled. The Chadians say they have decided to work to restore diplomatic relations with Libya through meetings of their foreign ministers. The Security Council remains "seized" of the issue.

2. NAMIBIA: The Contact Group continued to meet this week to draft improvements of their proposal on Namibia. We have now received informal reactions from both SWAPO and South Africa to the clarifications of a number of points in the proposal. Further revisions were made by the Contact Group. These will also be discussed informally with the parties after which we must decide whether to formally present the proposals to the parties or go directly to the Security Council.

3. ANTI-HIJACKING CONTACT GROUP: The Netherlands UN Ambassador will be inviting 74 countries to the Dutch Mission to discuss ways to promote wider accession to the Hague, Montreal and Tokyo Conventions which deal with hijacking and sabotage of aircraft. The meetings will be held March 8-9 and the 28 UN Missions represented will try to allocate responsibility for approaching those states that have not yet ratified these Conventions. Further meetings may be held to review responses and consider future action.

4. ECONOMIC AND SOCIAL COUNCIL: The organizational meeting of the UN Committee of the Whole which will oversee and monitor the North/South dialogue concluded its formal session on February 17. An agenda for the first meeting and a schedule of substantive meetings has been established. Three meetings will be held at the UN, the first one convening on May 3 - 12. The organizational meeting was generally satisfactory to the US. Virtually all of our objectives were met.

5. AMBASSADOR YOUNG'S OTHER MEETINGS: Ambassador Young delivered the keynote address for Black History Week sponsored by the New York Board of Education (2/15); attended a testimonial dinner for Congressman Lehman in Miami, Florida (2/18); attended the dedication and ribbon cutting ceremony for the Martin Luther King, Jr. Chapel at Morehouse College, Atlanta, Ga. (2/19); addressed the Jewish Community Relations Council at their annual dinner, Philadelphia, Penna. The Ambassador was awarded the Jules Cohen Memorial Award for leadership in promoting freedom and human rights (2/20); met with members of the National Council of Black Churchmen to discuss Rhodesia (2/21). PRESS: Belgrade Television (2/21); photo session for the United Nations Children Fund (2/21).

CONFIDENTIAL

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per 9/5/07 State Ltr.
NLS-06-113
BY BAE DATE 3/25/08

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

February 27, 1978

Midge Costanza
Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: CIVIL SERVICE REFORM
LEGISLATION AND GAY RIGHTS

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

also cc of this memo to Sfr

ACTION	FYI	
		MONDALE
/		COSTANZA
/		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

2/26/78

Mr. President:

Powell, Pettigrew, Congressional Liaison and Eizenstat recommend against including explicit language in the Civil Service legislation protecting gay rights. Eizenstat's comments are attached.

Rick

MEMORANDUM

THE PRESIDENT HAS SEEN.

See, M. L. G. -
Do not
include
J

THE WHITE HOUSE

WASHINGTON

February 21, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: MARGARET COSTANZA M.C.

SUBJECT: Civil Service Reform
Legislation and Gay Rights

The proposed Civil Service legislation may attract substantial public criticism from the gay community because it does not contain language protecting gays against employment discrimination. Present Civil Service regulations, however, do afford protection for gays and these regulations would be in force under the new legislation. The basis of criticism, therefore, will be the absence of explicit language in the new law. The purpose of this memo is to inform you about the likely reaction from the gay community and about the pros and cons of adding protective language at this point.

BACKGROUND

Title I, Section 204, of the proposed legislation prohibits discrimination in hiring, promotion or firing in the Civil Service on the basis of "political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition." Sexual preference is not listed as a basis for protection.

According to the General Counsel's Office of the Civil Service Commission, each category merited inclusion either because it is in the present law, or because Congress had passed separate legislation mandating equal employment protection for the category. Political affiliation, race, color, religion, national origin and sex are included in the present law, and marital status, age and handicap condition are added to the list in the proposed legislation. Congress has not passed a law prohibiting employment discrimination on the basis of sexual preference although such a bill was introduced by Edward Koch last session with 36 co-sponsors.

Gays do have some protection against employment discrimination under the present law. In 1975, the Civil Service Commission issued regulations pursuant to a U. S. District Court decision in Northern California which prohibits the Civil Service from discriminating against gays solely on the basis of

homosexuality. Pursuant to the court decision, the Commission revised its regulations by eliminating homosexuality as a factor for consideration in hiring, firing and promotion.

According to the General Counsel's Office of the Civil Service Commission, the protective regulations will remain intact under the new legislation because of savings provisions in both the reorganization authority and in the new legislation, and because the Commission is bound by the court decision to protect gays. The Assistant General Counsel said he would be willing to write a legal opinion to that effect. The regulations, in effect, give gay people the same employment protection they would have if they were explicitly added to the new legislation.

Inclusion in Title I, however, would be of great symbolic importance to the gays.

The pros and cons of adding sexual preference to the legislation follow:

Pro:

- Inclusion in the bill would be consistent with your human rights stand and your public statements supporting equal protection under the law for gay people.
- Inclusion would be very supportive of gay people in their campaign for equal rights. The gay community estimates its membership at 20,000,000.
- Not to include the provision might make likely a confrontation with the gay community.

Con:

- If you include the language, you will probably be subjected to great criticism and abuse for defending the constitutional rights of gay people.
- Passage of the Civil Service Reform legislation may be jeopardized or, at least, delayed because Congress is unlikely to be receptive to the inclusion of the language.
- Gay people will be protected against employment discrimination without the new language. You could point this out if you are questioned about the legislation once it is submitted to Congress.

THE WHITE HOUSE

WASHINGTON

February 25, 1978

I agree
J

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
STEVE SIMMONS

SUBJECT: Costanza Memo re: Civil Service
Reform Legislation and Gay Rights

We strongly recommend against including explicit language protecting gays in the Civil Service reform legislation for the following reasons:

- As pointed out in the memo, gays already have protection under CSC rules. Why take on a major legislative fight on this question when gays already have this administrative protection?
- Proposing protection of gays would be extremely controversial and can only hurt chances of passage of the Civil Service reform package. The issue would also divert attention from the central thrust of the reforms.
- The Civil Service legislative package already has been circulated to the agencies for comment and has been finalized. This issue was considered early and rejected. Consideration of this issue again, now, could delay the package.
- The Reorganization Project and the Civil Service Commission have not been subject to any significant pressure from gay groups to include such protective language in the legislation.
- By proposing such language, you would needlessly thrust yourself into the middle of an intense public debate on this question attracting a good deal of public criticism.
- Homosexuals are currently protected -- and will continue to be under existing Civil Service Regulations.

ID 780931

THE WHITE HOUSE

WASHINGTON

DATE: 21 FEB 78

FOR ACTION: STU EIZENSTAT

BOB LIPSHUTZ

JODY POWELL *Agant it, per Rex*

RICHARD PETTIGREW *attached*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN *nc*

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE -

will commt

JACK WATSON



*- no win situation, suggest
we take no position
Politically Disastrous
as in abortion
issue.*

SUBJECT: COSTANZA MEMO RE CIVIL SERVICE REFORM LEGISLATION AND
GAY RIGHTS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM FRIDAY 24 FEB 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

/	FOR STAFFING
	FOR INFORMATION
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	IMMEDIATE TURNAROUND

ACTION	FYI	
	/	MONDALE
		COSTANZA
/		EIZENSTAT
/		JORDAN
/		LIPSHUTZ
/		MOORE
/		POWELL
	/	WATSON
/		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
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	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
/	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

WASHINGTON

DATE: 21 FEB 78

FOR ACTION: STU EIZENSTAT

HAMILTON JORDAN

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

JODY POWELL

JIM MCINTYRE

RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

XC: CABLE ✓
TATE - (RF) ✓
FM ✓

SUBJECT: COSTANZA MEMO RE CIVIL SERVICE REFORM LEGISLATION AND
GAY RIGHTS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM FRIDAY 24 FEB 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

CONGRESSIONAL LIAISON:

This is an inflammatory, collateral issue which will detract from the political popularity of the central theme of the proposal -- bureaucratic reform. We must not be hamstrung by taking an unpopular stand, i.e. support of gay rights. It will cost us votes in the Senate and muddy the waters. Strongly recommend going all out for the reform legislation and redressing specific group's (gays') problems later. (DT)

In the House, this language might be difficult to pass -- if any language is included, it should be very low key.

ID 780931

THE WHITE HOUSE

WASHINGTON

DATE: 21 FEB 78

FOR ACTION: STU EIZENSTAT

HAMILTON JORDAN

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

JODY POWELL

JIM MCINTYRE

RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

SUBJECT: COSTANZA MEMO RE CIVIL SERVICE REFORM LEGISLATION AND
GAY RIGHTS

TO: *TO 12*
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM FRIDAY 24 FEB 78 +

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*I urge that we do not
follow Midge's recommendation!
Stick to Civil Service Com. recommendation.*

ID 780931

T H E W H I T E H O U S E

WASHINGTON

DATE: 21 FEB 78

FOR ACTION: STU EIZENSTAT

HAMILTON JORDAN

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

JODY POWELL

JIM MCINTYRE

RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

SUBJECT: COSTANZA MEMO RE CIVIL SERVICE REFORM LEGISLATION AND
 GAY RIGHTS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM FRIDAY 24 FEB 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

February 22, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

RICHARD PETTIGREW *RP*

SUBJECT:

Costanza Memorandum,
February 21, 1978 re Civil
Service Reform Legislation and
Gay Rights

Based on the experience I had in Florida as Chairman of the Community Relations Board during part of the battle over the Dade County "gay rights" ordinance involving Anita Bryant, this is not an area for you to propose any change in existing law and case decisions. If a battle erupts in Congress this year, "gay rights," to the extent currently recognized, will sustain serious setbacks.

I would urge quiet consultation with such groups to urge them to leave well enough alone. With current protection by regulation, there is nothing for them to gain and much to lose by seeking explicit statutory protection. A statutory repeal of the existing regulation is the more likely result of such an effort.

Attachment

949

THE WHITE HOUSE
WASHINGTON
February 27, 1978

Bob Strauss

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: RECOMMENDED PRESIDENTIAL ACTION
ON EXCLUSION OF CERTAIN DISPLAY
SERVICES FOR PHOTOGRAPHS

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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ACTION	FYI	
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	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
✓	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

FEB 21 1978

MEMORANDUM FOR THE PRESIDENT

FROM : Robert S. Strauss

SUBJECT : Recommended Presidential Action on the
Exclusion of Certain Display Services for
Photographs and the Like Under Section 337
of the Tariff Act of 1930, as Amended

Section 337 of the Tariff Act of 1930, as amended, authorizes the U.S. International Trade Commission to order remedies for unfair practices in import trade. Under that authority the Commission has ordered the exclusion of certain patent infringing articles from importation into the United States. The articles are certain display devices for photographs and the like (photocubes, like those depicted in Attachment A) that are produced in Hong Kong and Japan. Annual domestic production is valued at less than 1/4 million dollars with the quantity of imports exceeding domestic production at least since 1973.

Section 337 contains Presidential authority to disapprove the ordered remedy for policy reasons by informing the Commission of such disapproval within 60 days of receipt of the Commission's determination. Representatives of the agencies comprising the Trade Policy Committee (the Special Trade Representative, the Attorney General, and the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury) unanimously recommend that the President exercise Option 1 below and take no action on this case, thereby allowing the exclusion order to become final on March 13, 1978. There is no provision for Congressional override of the President's action in Section 337 cases. The Presidential options are:

OPTION 1 (the recommended option)

Decision

Approval (automatic)

Presidential Action Required

None, the exclusion order automatically becomes final after the 60 day period (March 13, 1978)

OPTION 2

Decision

Approval (specific)

Presidential Action Required

President informs U.S.
International Trade Commission
of approval of the exclusion
order prior to the close
of the 60 day period

OPTION 3

Decision

Disapproval

Presidential Action Required

President informs U.S.
International Trade Commission
of disapproval of the exclusion
order

The recommendation on behalf of the Trade Policy Committee is without opposition. Imports involved are produced in Hong Kong and Japan for sale in the United States in violation of a valid U.S. patent. Section 337 is an established remedy against the importation into the United States of patent infringing foreign articles. There are no known policy reasons favoring disapproval of the exclusion order.

Decision:

✓
_____ Option 1 (Trade Policy Committee,
Eizenstat, CEA, OMB, NSC)

_____ Option 2

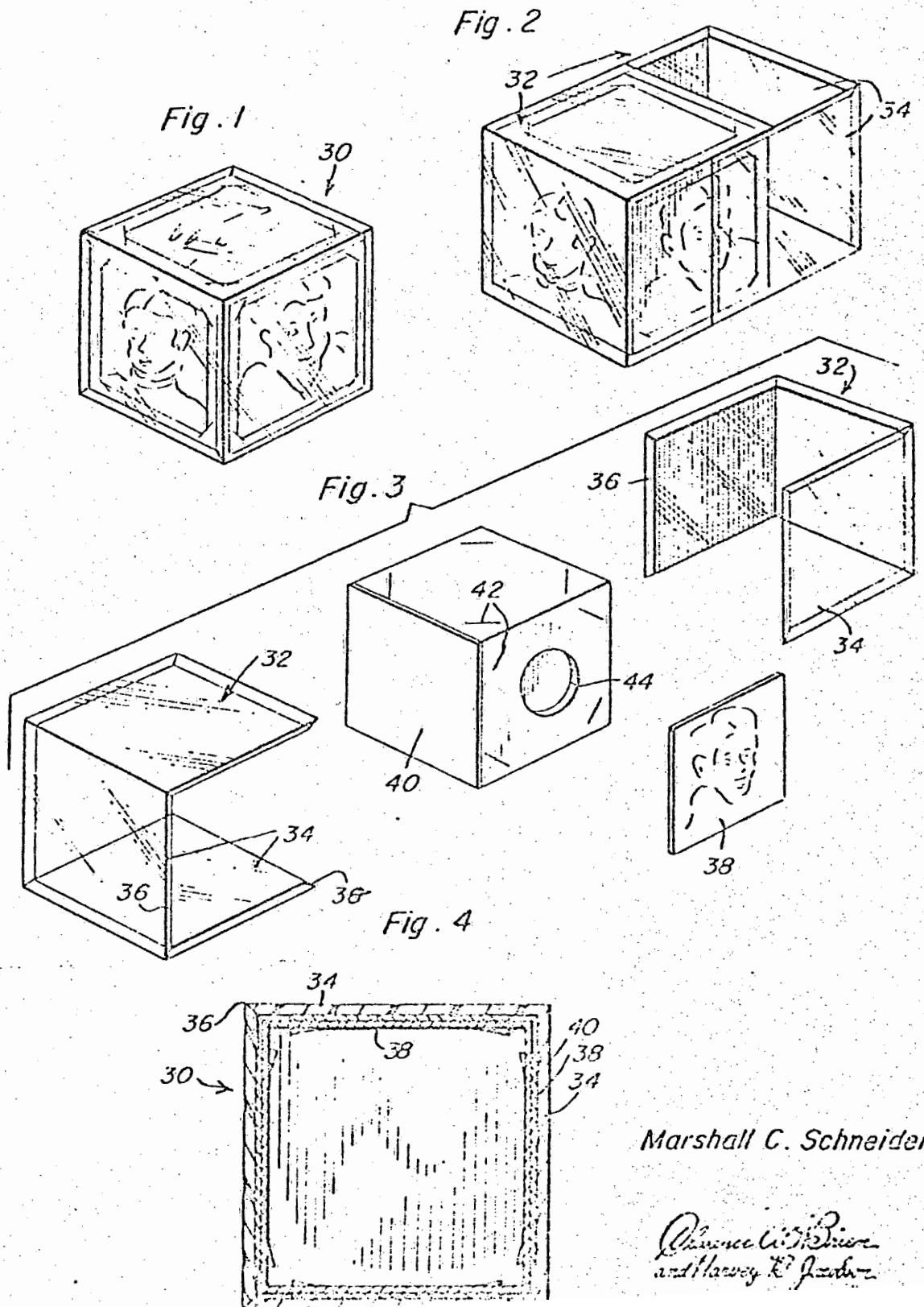
_____ Option 3

JC

Patented Nov. 27, 1973

3,774,332

5 Sheets-Sheet 1



Marshall C. Schneider

Charles W. Brier
and Harvey E. Jordan

ID 789042

THE WHITE HOUSE

WASHINGTON

DATE: 22 FEB 78

FOR ACTION: STU EISENSTADT

FRANK MOORE - N.C.

JACK WATSON

JIM MCINTYRE

CHARLES SCHULTZE

ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT

LONDON BUTLER

LAST DAY FOR ACTION 3/13

SUBJECT: STRAUSS MEMO RE RECOMMENDED PRESIDENTIAL ACTION ON THE
EXCLUSION OF CERTAIN DISPLAY SERVICES FOR PHOTOGRAPHS AND
LIKE UNDER SEC. 337 OF TARIFF ACT OF 1930, AS AMENDED

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM FRIDAY 24 FEB 78 +

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

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	IMMEDIATE TURNAROUND

Last day for decision : 3-13-78

ACTION	FYI	
	/	MONDALE
		COSTANZA
/		EIZENSTAT
		JORDAN
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/		MOORE
		POWELL
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/		McINTYRE
/		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
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	ARAGON
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	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

PUBLIC INSPECTION

Dist. Comm. Staff
Legal, ALJ

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of:

CERTAIN DISPLAY DEVICES FOR
PHOTOGRAPHS AND THE LIKE

Investigation No. 337-TA-30

COMMISSION DETERMINATION AND ORDER AND COMMISSIONERS' OPINIONS

Procedural History

On January 14, 1977, a complaint was filed with the United States International Trade Commission under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on behalf of Charles D. Burnes Company, of Boston, Massachusetts [hereinafter "Complainant"], that unfair methods of competition and unfair acts exist in the unlicensed importation of hexahedron-shaped devices for the display of photographs and the like [hereinafter "display cubes"] into the United States, or in their sale, by reason of the coverage of such display cubes by the claims of U.S. Letters Patent No. 3,774,332, the effect or tendency of such unlicensed importation being to destroy or substantially injure an industry, efficiently and economically operated, in the United States. Accordingly, Complainant sought an order of exclusion against the imports in question. On February 15, 1977, the Commission instituted an investigation thereof and published a notice of investigation in the Federal Register of February 18 [42 F.R. 10073]. Copies of

PUBLIC INSPECTION

the complaint and notice of investigation were served upon numerous named respondents. Of those, only four companies--Montgomery Ward Co., Inc., Harben Co., Chadwick-Miller, Inc., and M.I.M. Lador, Inc.--answered the complaint and then only in a general manner. On March 2, 1977, respondents were served with interrogatories by Commission investigative staff. On May 6, 1977, the Presiding Officer issued a notice of preliminary conference for May 26, 1977, but no respondent attended this conference.

On August 1, 1977, Complainant and the Commission investigative staff filed a Joint Motion for Summary Determination under section 210.50 of the Commission's Rules of Practice and Procedure [hereinafter "CRPP"]. None of the respondents opposed the motion by filing affidavits with the Presiding Officer, or by any other means. Accordingly, on August 31, 1977, the Presiding Officer, per CRPP section 210.53, issued his Recommended Determination that the Commission:

1. Determine that there is a violation of Section 337 in the importation or sale in the United States of display devices for photographs and the like meeting the claims of U.S. Letters Patent 3,774,332; and, further,
2. Grant the Joint Motion of Complainant and the Commission Investigative Staff for Summary Determination under CRPP section 210.50 on all issues (Motion Docket 30-5); and, further,
3. Dismiss certain enumerated respondents for the reason that they are not presently importing infringing products, or were not effectively served, and therefore are not proper respondents in the investigation (Motion Docket 30-4).

No respondent filed exceptions or alternative findings of fact and conclusions of law to the Presiding Officer's Recommended Determination per CRPP section 210.54, nor did any respondent take any other action.

On September 2, 1977, the Commission Investigative Staff filed a Supplemental Submission to the Joint Motion of Complainant and Commission Investigative Staff discussing U.K. Patent No. 1,270,715 [hereinafter "the British patent"] in order to complete the record and address certain questions as to the existence of prior art and derivation raised thereby. The Presiding Officer, by his Supplement to Recommended Determination of September 8, 1977, discussed the British Patent, held that it does not affect the Findings of Fact and Conclusions of Law of the Recommended Determination of August 31, and amended the Recommended Determination to include five additional respondents recommended for dismissal.

On October 31, 1977, the Commission held a hearing for the purposes of hearing oral argument with respect to:

1. The Presiding Officer's Recommended Determination that there is a violation of Section 337.
2. Appropriate relief in the event that the Commission determines that there is a violation of Section 337 and determines that there should be relief; and
3. Relief and the public interest factors as set forth in Sections 337(d) and (f) of the Tariff Act of 1930, which the Commission is to consider in the event it determines there is a violation of Section 337 and determines that there should be relief.

Notice for the above hearing was issued on October 5, 1977, and served upon respondents; no respondent attended the hearing. Oral argument on all three of the above topics was presented by both Complainant and the Commission investigative staff at the hearing.

Commission Determination

Having reviewed (1) the evidentiary record in the investigation as certified to it by the Presiding Officer, (2) the Presiding Officer's Recommended Determination and Supplemental Documents, and (3) the hearing record of October 31, 1977, THE COMMISSION, by action of November 29, 1977, unanimously DETERMINED:

1. To dismiss J & M Enterprises; Amerex International, Ltd.; Sanyei New York Corp.; Wai Cheong Industrial Co., Ltd.; Minami Sangyo, Ltd.; G. C. Murphy Co.; Cuckoo Clock Mfg. Co., Inc.; Reliance Pen and Pencil Corp.; F. W. Woolworth Co.; Crest Industries Corp.; Henry Co.; T. Chatani & Co., Ltd.; Osaka General Trading Company, Ltd.; Wing Tat Industrial Co.; Medi Mart; Maruyama Noboru Seisakusho K.K.; Wah Hing Plastic and Metal Ware Factory, Ltd.; Oriental Plastic Factory; Oriental Plastic Industrial Corp., Western Universal (H.K.), Ltd.; and Montgomery Ward & Co., Inc. as respondents in the investigation for the reason that they are not presently importing infringing products or were not effectively served, and therefore are not proper respondents in the investigation (Motion Docket 30-4 and 30-6).
2. That the Joint Motion for Summary Determination of Complainant and the Commission investigative staff should be granted for the reason that there is no genuine issue as to any material fact and that the moving parties are entitled to summary determination as a matter of law [Motion Docket 30-5].
3. That there is a violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), by reason of the importation into the United States of certain display devices for photographs and the like, or in their sale by the owner, importer, consignee, or agent of either, because such devices (a) infringe claims 1, 2, and 3 of the valid U.S. Letters Patent No. 3,774,332, thereby constituting an unfair method or unfair act within the meaning of section 337; and (b) the effect or tendency of such unfair method or act is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, and

4. That the appropriate remedy for such violation is to direct that the articles concerned, display devices for photographs and the like, made in accordance with one or more of the claims of U.S. Letters Patent No. 3,774,332, be excluded from entry into the United States for the term of said patent; and that, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers, such articles should be excluded from entry; and
5. That the bond provided for in subsection 337(g)(3) is determined by the Commission to be, as prescribed by the Secretary of the Treasury, in the amount of 100 percent of the value of the articles concerned, f.o.b. foreign port.

Commission Order

Accordingly, IT IS HEREBY ORDERED:

1. That J & M Enterprises; Amerex International, Ltd.; Sanyei New York Corp.; Wai Cheong Industrial Co., Ltd.; Minami Sangyo, Ltd.; G. C. Murphy Co.; Cuckoo Clock Mfg. Co., Inc.; Reliance Pen and Pencil Corp.; F. W. Woolworth Co.; Crest Industries Corp.; Henry Co.; T. Chatani & Co., Ltd.; Osaka General Trading Company, Ltd.; Wing Tat Industrial Co.; Medi Mart; Maruyama Noboru Seisakusho K.K.; Wah Hing Plastic and Metal Ware Factory, Ltd.; Oriental Plastic Factory; Oriental Plastic Industrial Corp., Western Universal (H.K.), Ltd.; and Montgomery Ward & Co., Inc. are dismissed as respondents in the investigation [Motion Docket 30-4 and 30-6].
2. That the Joint Motion for Summary Determination of Complainant and Commission investigative staff is granted [Motion Docket 30-5];
3. That display devices for photographs and the like, made in accordance with one or more of the claims of U.S. Letters Patent No. 3,774,332 are excluded from entry into the United States for the term of said patent except (1) as provided in paragraph 4 of this Order, *infra*, or (2) as such importation is licensed by the holder of U.S. Letters Patent No. 3,774,332; and
4. That the articles ordered to be excluded from entry are entitled to entry into the United States under bond in the amount of 100 percent of the value of the articles, f.o.b. foreign port, from the day after the day this Order is received by the President pursuant to section 337(g) of the Tariff Act of 1930, as amended, until such time as the President notifies the Commission that he approves this action, or the President disapproves this action, but, in any event, not later than sixty (60) days after such day of receipt.
5. That this Order will be published in the Federal Register and served upon each party of record in this investigation and upon the U.S. Department of Health, Education & Welfare, the U.S. Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury.

Opinion of Chairman Daniel Minchew and
Commissioners George M. Moore and Bill Alberger

Our determination and order, supra, are primarily predicated upon the following bases:

1. The Commission has jurisdiction over the subject matter of the investigation and over the respondents named by the Commission in its notice of investigation [19 U.S.C. 1337].
2. Patent infringement has been held to be an "unfair method of competition and unfair act" for the purposes of section 337 of the Tariff Act of 1930, as amended [See, e.g., *In re Northern Pigment Co., et al.*, 71 F.2d 447 (C.C.P.A. 1934) and 71 F.2d 447, *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955)].
3. Complainant is the owner of U.S. Letters Patent 3,774,332 by virtue of an assignment from the inventor, Marshall C. Schneider, filed with the U.S. Patent Office, March 9, 1971 [Recommended Determination, Finding B, p. 6]. Complainant is therefore a proper party to bring a Section 337 proceeding with infringement of said patent as the basis for an "unfair method of competition or unfair act."
4. U.S. Letters Patent No. 3,774,332 is a valid and enforceable patent for the purposes of Section 337 [Recommended Determination, Findings 19-21, pp. 8-9]. Per 35 U.S.C. 282, said patent is presumptively valid; respondents did not carry their burden of proving invalidity or unenforceability of said patent [Recommended Determination, pp. 8-9, 15; Supp. to Recommended Determination].
5. The accused infringing products which have been imported and sold in the United States directly and literally infringe the terms of claims 1, 2, and 3 of U.S. Letters Patent No. 3,774,332 [Recommended Determination, Finding G, p. 8].
6. Complainant and its subcontractors constitute a domestic industry for the purpose of section 337 by producing in the United States display devices covered by claims 1, 2 and 3 of U.S. Letters Patent No. 3,774,332 [Recommended Determination, pp. 8, 15]. Said domestic industry is efficiently and economically operated [Recommended Determination, pp. 13-14].
7. The domestic industry has suffered substantial economic injury from the loss of sales and resultant loss of revenue by reason of the importation and sale of articles which infringe the claims of U.S. Letters Patent No. 3,774,332 [Recommended Determination, pp. 9-13].

8. On motion per CRPP Section 210.50(b), movant is entitled to summary determination if the pleadings and any depositions, admissions on file, and affidavits show that there is no genuine issue as to any material facts and that the moving party is entitled to a summary determination as a matter of law. Our review of the record certified to us by the Presiding Officer does not reveal a genuine issue as to a material fact. Furthermore, the facts as found by the Presiding Officer and adopted in our opinion lead to our conclusion that the moving party is entitled to a summary determination as a matter of law.
9. Our consideration of the effect of exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers as required by Section 337(d), does not lead us to the conclusion that an exclusion order should not be issued.

In order to further explain the Commission's determination and order, we shall briefly comment upon three areas of concern in the discussion below:

- I. The more pertinent patent-related issues raised during the course of the investigation respecting:
 - A. The "British Patent" [U.K. Patent No. 1,270,715];
 - B. The "Nyman Patent" [U.S. Letters Patent No. 3,703,405]; and
 - C. Various allegations respecting the validity of the "Schneider Patent" [U.S. Letters Patent No. 3,774,332].
- II. The Commission's consideration of the "public interest" factors of section 337(d) in determining to enter an exclusion order; and
- III. Rationale for a bond of 100 percent of the value of the articles concerned, f.o.b. foreign port.

I. Patent Issues

The display device which is the subject of the investigation was invented by Marshall C. Schneider and patent rights assigned by him to Complainant. Upon application Serial No. 127,279, filed in the U.S. Patent Office on March 23, 1971, U.S. Letters Patent 3,774,332 was issued to Complainant on November 27, 1973.

Title 35, United States Code, section 102, provides as follows:

A person shall be entitled to a patent unless:

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the *invention* thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the *application* for patent in the United States,
 . . . (Emphasis added)

Accordingly, in order to create successfully a genuine issue of material fact as to the validity of Complainant's patent for the purposes of CRPP section 210.50, a respondent or other party could, for instance, provide evidence of knowledge or use of the invention prior to the invention thereof by Marshall C. Schneider or evidence of the patent or description in a printed publication in this or a foreign country, or public use or sale in this country of the invention *more than one year prior to the date of the application for the patent in the United States by Marshall C. Schneider*. Such genuine issues of material fact do not appear in the record. The following three sections discuss those patent issues which were raised but which were not sufficient to constitute genuine issues of material fact in the context of CRPP Section 210.50, 19 U.S.C. 1337, and 35 U.S.C. §§102 and 282.

A. The "British Patent" [U.K. Patent No. 1,270,715].

Application for U.S. Letters Patent 3,774,332 ("Complainants' patent") was filed March 23, 1971. The first patenting and publication of the British patent was not until April 12, 1972 [Supp. Submission to Joint Motion of Complainant and Investigative Staff, Memo in support, p. 3], too late to invalidate Complainant's patent under 35 U.S.C. 102. Furthermore, even if the British

patent had been filed sufficiently early for the purposes of 35 U.S.C. 102, it would not have affected the right of Complainant to a patent, inasmuch as the British patent lacked identity of invention (Supp. Submission to Joint Motion of Complainant and Investigative Staff, Memorandum in Support, p. 3). Namely, the British invention is distinguishable by the absence of an inner box to support items for viewing from all six sides (Affidavit of Marshall C. Schneider, par. 4).

B. The "Nyman Patent" [U.S. Letters Patent No. 3,703,405].

Questions were raised quite early as to the possibility that the Nyman patent anticipated the Complainant's patent. However, such suggestions carry little convincing force when one considers that just over two months before Complainant's patent was filed and searched, the same Patent Office examiner who considered Complainant's patent also reviewed the Nyman patent (filed January 18, 1971). In fact, field search for Complainant's patent included U.S. Class 40, subclass 152 and 152.1, with the Nyman patent classified in subclass 152 and the '332 patent in 152.1 (Joint Motion for Summary Determination of Complainant and Investigative Staff, Memorandum in Support, p. 6). It is highly unlikely that identical prior art would have been overlooked.

C. Other Patent Issues.

During the course of the investigation certain respondents made assertions that several distinct types of display devices anticipated the claims of Complainant's patent. First, it was advanced that the devices imported during 1968-1969 anticipated Complainant's patent (Commission Oral Argument, p. 42, lines 5-8). Investigation subsequently revealed, however, that these display devices were identical to the Nyman patent. Since the

Nyman patent appears not to have been anticipatory, neither were the display devices referred to by these respondents (Commission Oral Argument, p. 42, lines 16-21).

Second, it was indicated that display devices identical to those covered by the claims of Complainant's patent (Commission Oral Argument, p. 33, line 8) were shipped from Hong Kong to the United States in December of 1970. While this statement is literally true, those shipments were of only sample devices. (Commission Oral Argument p. 32, line 12). The first commercial shipment of such display devices was not made until April 12, 1972 (Commission Oral Argument, p. 32, lines 13-14), a date which is too late to invalidate Complainant's patent under U.S. law. In addition, it should be noted that suggestions of derivation are not persuasive in light of the Affidavit of inventor Marshall C. Schneider that he had not visited Hong Kong before 1976, five full years after his application for a patent.

Finally, a respondent alleged that it had exported display cubes to the United States in March of 1971 (Joint Motion for Summary Determination of Complaint and Investigative Staff, Memorandum in Support, p. 7). Though the record contains a dearth of information about the structural features of these display devices, even assuming the identity thereof with those covered by Complainant's patent, such exportation occurred at too late a date to affect the validity of Complainant's patent.

II. Public interest factors

Title 19 U.S.C. 1337(d) provides:

If the Commission determines. . .that there is a violation . . .it shall direct that the articles concerned. . .be excluded. . .unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and the United States consumers, it finds that such articles should not be excluded from entry.

Oral argument advanced before the Commission indicates that the entry of an exclusion order will not adversely affect the public interest. The two most significant interests to be balanced in this case are the protection of a valid U.S. patent as opposed to a possible increase in consumer pricing.

Testimony before the Commission reveals that Complainant possesses the productive capacity to meet domestic market demand (Commission Oral Argument p. 53, lines 16-17). Additionally, complainant is the holder of a valid U.S. patent and is entitled to the remunerative benefits that normally accrue therefrom.

While, admittedly, consumers *may* pay a higher retail price for the product produced by Complainant in light of a landed price differential of two-to-one (Commission Oral Argument p. 50, lines 4-7), it appears that the profit markup is a normal rather than a premium one (Commission Oral Argument p. 56-57). Moreover, consumer constraints prevent premium pricing. Plastic display devices are not essentials of life. If one is to abuse the patent monopoly granted one, a reduction in sales is sure to follow.

For these reasons, the Commission feels an exclusion order strikes the most appropriate balance between patent protection and consumer interests.

III. Bonding

In light of the fact that a two-to-one price differential exists between the landed price of the imported product and the sale price of the domestic product, the most efficacious bond would be a bond of 100 percent of the value of the articles, F.O.B. foreign port.

Opinion of Vice Chairman Joseph O. Parker and
Commissioners Catherine Bedell and Italo H. Ablondi

The record in this proceeding establishes that after the institution of this proceeding, service of the complaint, and the receipt of answers from four respondents, the presiding officer issued a notice of a prehearing conference. Complainants and the Commission investigative staff appeared at this conference but no respondents entered an appearance. Thereafter, complainant and the Commission investigative staff filed a Joint Motion for Summary Determination, supported by a number of affidavits. The Joint Motion for Summary Determination and the affidavits were served upon all parties to the proceedings. No responses or opposing affidavits were filed by any respondents. On August 31, 1977, the presiding officer issued a recommended determination in which he determined that there is a violation of section 337 of the Tariff Act of 1930, as amended, in the unauthorized importation into the United States, and in the sale, of certain display devices for photographs and the like, by reason of the fact that such devices infringe claims 1, 2, and 3 of United States Letters Patent No. 3,774,332, with the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated in the United States, and recommended that the Commission grant the Motion for Summary Determination. All named respondents were served with copies of the recommended determination of the presiding officer. No exceptions or alternative findings of fact and conclusions of law to the presiding officer's recommended determination were filed by any respondent. No respondent took any other action contesting the claim of the complainant.

On October 21, 1977, the Commission held a hearing for the purpose of oral argument on the recommended determination, public interest issues, and appropriate relief in the event the Commission determined that there is a violation of section 337. Notice of the above hearing was issued on October 5, 1977, and served on all parties to the investigation including all respondents; no respondent appeared or filed any written submission. Both complainant and the Commission investigative staff entered an appearance at the hearing and supported the recommended determination of the presiding officer and urged that an exclusion order be issued.

The affidavits in support of the Joint Motion for Summary Determination contain evidence which shows the importation of display devices for photographs which infringe complainant's U.S. patent. Such patent is entitled to the statutory presumption of validity. The respondents did not challenge the validity of the patent with any evidentiary showing. The affidavits also contain evidence showing that the effect or tendency of the infringing imports is to destroy or substantially injure an industry efficiently and economically operated in the United States. On the basis of the record in this proceeding, we determine that there is a violation of section 337 of the Tariff Act of 1930, as amended.

Public interest factors

Section 337(d) of the Tariff Act of 1930, as amended, requires that prior to the entry of an exclusion order, consideration be given to the

effect of such an order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and U.S. consumers.

The Commission, after public notice, provided opportunity for oral hearing on these questions. Complainant appeared through its attorney, and the Commission's investigative attorney appeared on behalf of the Commission. Both counsel presented oral argument in support of the entry of an exclusion order. There was no appearance by any other governmental agency or any other person in opposition to the entry of an exclusion order. From the record in this proceeding, we have determined that there is no justifiable reason for not entering an exclusion order to remedy the violation found as a result of this proceeding. We therefore determine that the entry of an exclusion order is necessary to prevent the unfair acts of importation of the subject articles in violation of section 337 of the Tariff Act of 1930, as amended, and grant the Joint Motion for Summary Determination.

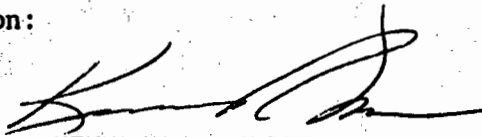
Bonding

In view of the price difference between the imported infringing article and the domestic products, we determine that a bond in the amount of 100 per cent of the value of the imported article is warranted.

ADDENDUM

It should be noted that simultaneously with the issuance of this determination and order, the United States International Trade Commission has transmitted to the Secretary of the Treasury and the Commissioner of Customs a letter containing (1) a description of claims 1, 2 and 3 of U.S. Letters Patent No. 3,774,332 as found in the Presiding Officer's Recommended Determination of August 31, 1977, Finding of Fact A, at page 5, and (2) a copy of the aforementioned patent, and (3) sample display devices constructed in accordance with the claims of said patent. The Commission has made such transmittal (1) for the guidance of Customs officer; (2) for the purpose of facilitating enforcement of the Commission's order, and (3) for the purpose of fulfilling the notice requirements of section 337(d), of the Tariff Act of 1930, as amended. Copies of the letter of transmittal to the Secretary of the Treasury and Commissioner of Customs and copies of U.S. Letters Patent No. 3,774,332 are available for public inspection in the Office of the Secretary, United States International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436.

By order of the Commission:



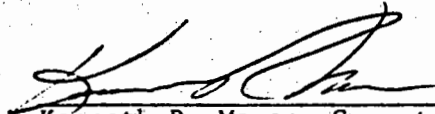
KENNETH R. MASON
Secretary

Issued: January 12, 1978

Certain Display Devices for Photographs and the Like
Investigation No. 337-TA-30

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Commission Determination and Order and Commissioners' Opinions were personally served upon Donald Dinan, Esq., Commission Investigative Attorney, and upon the following via first class mail, postage prepaid, on January 12, 1978.



Kenneth R. Mason, Secretary
U.S. International Trade Commission
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New York, N.Y. 10010

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Hong Kong

Oriental Plastic Industrial Corp.
Hong Kong

Wing Tat Industrial Company
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Ngam Road, Hong Kong

Poking Industrial Company
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Hong Kong

Oriental Plastic Factory
Hong Kong

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Hong Kong

Shing Tai Plastic Factory
Kowloon
Hong Kong

Wah Hing Plastic & Metal
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Hong Kong

Wai Cheong Industrial Co., Ltd.
Hong Kong

Angel Plastics
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Hong Kong

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Hong Kong Trade Development
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New York, N.Y. 10036

The Honorable Robert Strauss
Special Representative for
Trade Negotiations
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Chief, Foreign Commerce Section
Antitrust Division
U.S. Department of Justice
Washington, D.C. 20530

Mr. Charles A. Tobin
Secretary
Federal Trade Commission
Washington, D.C. 20580

Bernard Feiner, Esq.
Assistant General Counsel
Department of Health, Educa-
tion and Welfare
Washington, D.C. 20201

The Honorable Michael Blumenthal
Department of the Treasury
Washington, D.C. 20220

Sketch of Display Devices

1075

THE WHITE HOUSE
WASHINGTON

February 27, 1978

The Vice President
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson

The attached was returned in
the President's outbox today
and is forwarded to you for your
information.

Rick Hutcheson

RE: UNITED MINE WORKERS' CONTRACT
RATIFICATION

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

*Admin
copy*

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input checked="" type="checkbox"/>		MONDALE
<input type="checkbox"/>		COSTANZA
<input checked="" type="checkbox"/>		EIZENSTAT
<input checked="" type="checkbox"/>		JORDAN
<input checked="" type="checkbox"/>		LIPSHUTZ
<input checked="" type="checkbox"/>		MOORE
<input checked="" type="checkbox"/>		POWELL
<input checked="" type="checkbox"/>		WATSON
<input type="checkbox"/>		McINTYRE
<input type="checkbox"/>		SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE PRESIDENT HAS SEEN.

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

C
/

February 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *for*
SUBJECT: United Mine Workers' Contract Ratification

CURRENT SITUATION

Currently, we have very fragmentary evidence of the mood of the UMW membership regarding Friday's contract settlement. Initial journalistic reports suggest that there is a negative mood. This assessment is similar to the very tentative judgments of Federal mine safety inspectors. But, it should be cautioned, this evidence is not sufficient to base any hard decisions on. This mood may change when the UMW begins their efforts to promote the contract settlement among UMW members.

Recommendation--It is premature to make any comment on the ratification process right now. We should talk about letting the democratic process work its will and continue to mention our hope that the contract will be ratified. Later this week, we have the option of reassessing this posture based on much better evidence of the sentiments among UMW members.

INTERIM STEPS

For the next few days, our major emphasis will be on getting an accurate reading of the feelings of UMW members. I will be having a series of discussions with Governors and Congressional leaders. One topic for my discussions on Capitol Hill will be to determine Congressional sentiment on what the Administration should do if the contract is not ratified.

Other short-term efforts to judge the mood of the UMW membership include the following:

1). Today, the UMW is holding meetings for their 400 district and local presidents to discuss the contract. The Federal Mediation and Conciliation Service is monitoring these meetings. We should have a better sense of the prospects for contract ratification at the end of today's meetings.

2). We are in the process of getting the details of the UMW's public relations campaign to sell the contract to their members. Once we know what is being planned, we can make a judgment on the success of this effort.

3). We will be getting reports on attitudes of UMW members from the network of mine safety inspectors. To assess the reliability of this information, we are also trying to analyze the sources from which the mine inspectors get their information.

4). We are trying to maintain communications with some of the more responsible, and representative, members of the UMW Bargaining Council.

5). We are monitoring local newspaper articles and television reports on the contract agreement in areas with a high concentration of UMW members.

Prognosis--We should have a relatively accurate reading of the chances for contract ratification by the end of the day on Wednesday.

FUTURE DECISIONS

If it looks like the contract will be ratified, it is clear that we should do nothing to jeopardize that process. However, if it appears that the contract is in trouble, further action may be required. If the contract is not ratified, it will probably be because UMW members calculate that they will get an even better deal if they continue to hold out. Such a better deal, in their view, would come

either through Federal seizure of the mines or through another collectively bargained contract. This is why-- if we must take action--we should try to dispel the notion that rejecting this contract will give the UMW an even better contract.

Our tentative view is that if the miners reject the contract, we may have to seek a Taft-Hartley injunction alone. Our view is that seizure legislation would be unlikely to pass Congress if the contract is rejected. Under a Taft-Hartley injunction, striking miners would lose their food stamps. Moreover, we have determined that under Taft-Hartley, a Federal court cannot set wages and working conditions above the level of the 1974 contract.

If necessary, here are several ways we can get this message to the UMW members:

A. Senate Majority Leader Byrd could indicate that his reading of the mood of the Senate is that they would never pass seizure legislation if the miners reject the contract.

B. In your Thursday press conference, you could concur with Byrd's assessment of the prognosis on seizure legislation. You could add that this situation gives you little choice other than to go forward with a Taft-Hartley injunction if the contract is rejected. At that time, you could also explain that under Taft-Hartley, the miners would lose food stamps and have to work at 1974 contract wages.

C. If you wish, I could make the comments on the likelihood of Taft-Hartley, instead.

CONCLUSION

It must be stressed that no final decision has to be made now. Since the UMW members will not be voting until the weekend, we can wait until we have better evidence on the likelihood of contract ratification. It should also be emphasized that any Administration effort to affect the ratification vote could backfire in this volatile situation.

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THE WHITE HOUSE

WASHINGTON

February 27, 1978

Zbig Brzezinski

The attached was returned in the President's outbox and is forwarded to you for appropriate handling. Also, please forward the original of the President's note to Secretary Vance.

Rick Hutcheson

cc: The Vice President
Hamilton Jordan

RE: UN DISARMAMENT CONFERENCE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

cc Vance

ACTION	FYI	
	/	MONDALE
		COSTANZA
		EIZENSTAT
	/	JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
/	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

2-27-78

Cy &
Zbig

We need to evolve
soon US position re
UN Disarmament conf-
erence. We're in danger
of being clobbered by
all nations for arms
sales & by Soviets
on ER weapons -

J.C.

THE WHITE HOUSE

WASHINGTON

February 27, 1978

Secretary Califano

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

RE: KILLERS AND CRIPPLERS

bcc: Stu Eizenstat
Jack Watson
Peter Bourne

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 22, 1978

*Califano - This is
my idea - quick comment
J.C.*

MEMORANDUM FOR THE PRESIDENT

FROM:

PETER BOURNE

P.B.

SUBJECT: KILLERS AND CRIPPLERS

I had talked with Mary Lasker several times in the last year about a Presidential initiative aimed at prevention of the "Killers and Cripplers". I had refrained from raising it with you because HEW has been conducting a review of the entire area of prevention in the last twelve months. I do, however, feel it is an ideal area for you to get into. I am currently preparing for Hamilton a general strategy to build support for National Health Insurance of which the first phase will be to heighten public awareness to health problems in general. This particular initiative would be an important element in that overall strategy.

I recommend that we carry out a two step initiative.

(1) You appoint within the next 30 days a Presidential committee to advise you on a national strategy to attack the major "Killers and Cripplers". This would be a joint government/private committee that could be set up immediately, would not be as formal as a commission, would not involve any money, but would yield the same P.R. mileage for you. At the time you announce the committee we would provide for you a statement drawing attention to the importance you attach to this issue. (See my attached list of proposed members for the committee).

(2) HEW will have their comprehensive study on prevention ready in two months with a set of recommendations for you in the form of a major message to the Congress. The timing will be ideal, as a follow up to the appointment of the committee, and the strategy you outline in the message can be fed immediately into the spring budget review.

SUBSTANCE

Attached is a chart showing the major causes of mortality since 1900. There are five key measures of the importance

MEMORANDUM FOR THE PRESIDENT
FROM: PETER BOURNE
SUBJECT: KILLERS AND CRIPPLERS

of a disease as a killer or crippler; potential years of life lost, inpatient days, physician office visits, limitation of major activity, and total economic costs.

- Heart disease is overwhelmingly the most costly problem in terms of dollars and potential years of life lost.
- Respiratory diseases are a more significant problem than cancer for limitation of activity, physician visits and hospital admissions.
- Mental disorders are a major health burden in terms of inpatient days and costs to society, but not death.
- Accidents and violence are more costly than cancer in every measure except potential years of life lost.

Heart disease and stroke are overwhelmingly the greatest problems, are demonstrably susceptible to an intensive prevention program, and would provide a single focus for a statement at the time the committee is set up. I believe we should prepare a statement for you in which you would encourage the American people to protect themselves from heart disease, and announce that a more comprehensive health prevention program is being developed.

PGB:ss

Attachments

RECOMMENDED MEMBERS FOR A PRESIDENTIAL COMMITTEE

ON KILLERS AND CRIPPLERS

Dr. David Hamburg President of the Institute of
Medicine which has been work-
ing with HEW on their prevention
plan.

Dr. Julius Richmond The Surgeon General, and
Assistant Secretary of Health
in H.E.W.

Dr. Lester Breslow Professor, U.C.L.A., leading
authority in the country in
prevention, who helped us
write your speech on this
subject during the campaign.

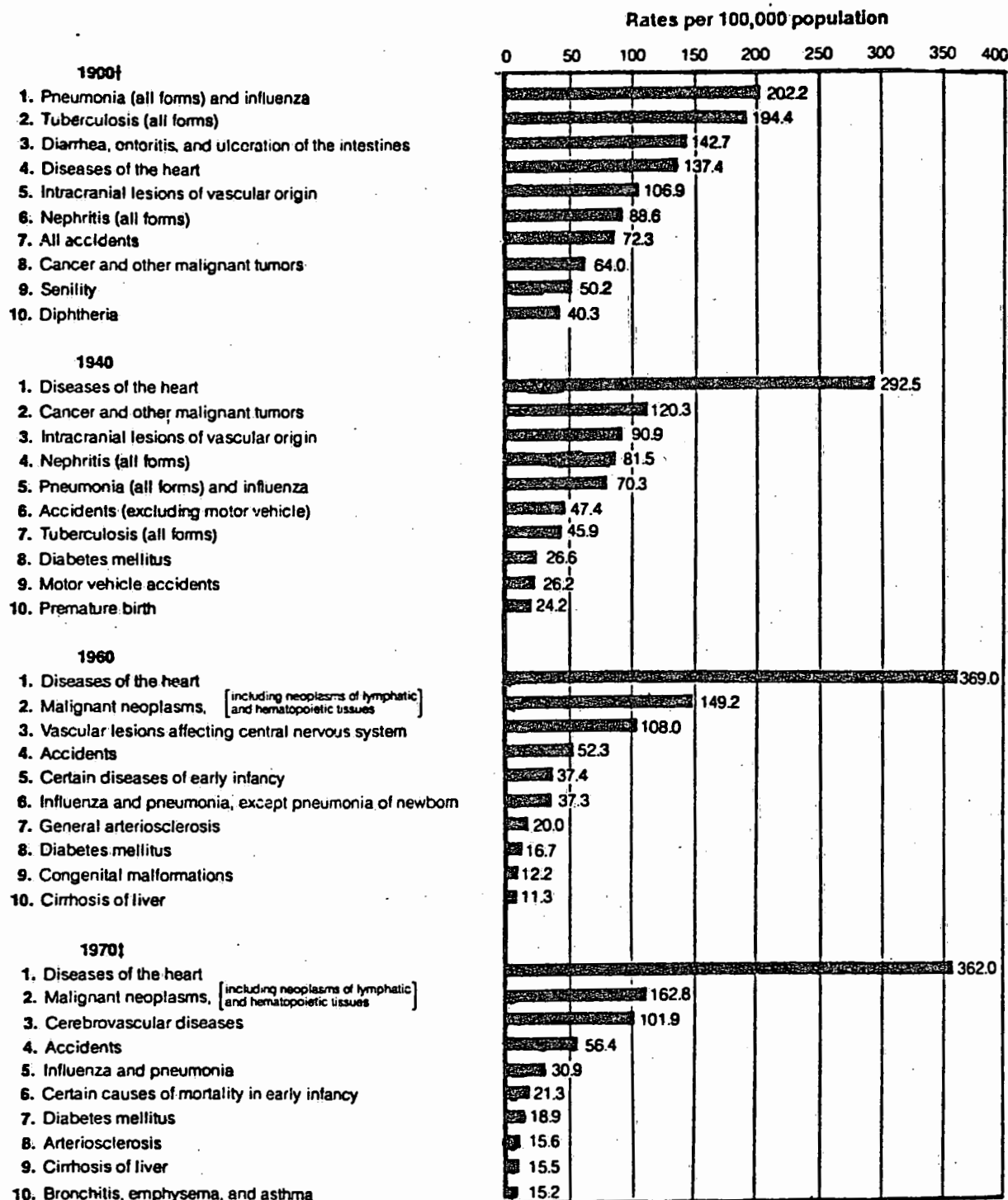
Mrs. Mary Lasker Apart from her own personal
interest and stature she has
exceptional access to the
advertising industry.

Dr. William MacBeth Executive Director American
Public Health Association.

Dr. William Austen President, American Heart
Association.

This is a manageable group. We can make it larger if
you wish, but it would increase the logistical problems
and begin to cost money.

FIGURE
TEN LEADING CAUSES OF DEATH*
UNITED STATES, 1900, 1940, 1960, 1970



*Terminology is that used in the edition of International List of Causes of Death in effect at the time.

†Source: Vital Statistics Rates in the United States 1900-1960, National Center for Health Statistics, PHS Pub. No. 1677.

‡Source: Monthly Vital Statistic Report, Vol. 22, No. 11 (February 22, 1974), National Center for Health Statistics.

SOURCE: National Heart and Lung Institute Fact Book 1975. U.S. Department of Health, Education and Welfare, Public Health Service, National Institutes of Health, DHEW Publication No. (NIH) 76-980, Nov. 1975, p. 24.

ID 780973

T H E W H I T E H O U S E

WASHINGTON

DATE: 22 FEB 78

FOR ACTION: STU EIZENSTAT

JACK WATSON



INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

JODY POWELL

JIM MCINTYRE

SUBJECT: BOURNE MEMO RE KILLERS AND CRIPPLERS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 PM SATURDAY 25 FEB 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 780973

T H E W H I T E H O U S E

WASHINGTON

DATE: 22 FEB 78

FOR ACTION: STU EIZENSTAT

1978 FEB 23 PM 5 21
K WATSON

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

JODY POWELL

JIM MCINTYRE

SUBJECT: BOURNE MEMO RE KILLERS AND CRIPPLERS

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1000 PM SATURDAY 25 FEB 78 +

+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

We think that Joe Califano should evaluate in light
of the schedule for NHI.

THE WHITE HOUSE

WASHINGTON

February 24, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
SUBJECT: Bourne Memo re: Killers and Crippleers

I think that Peter's memorandum has merit.

I would suggest withholding a final judgment on it until we have the opportunity to check with HEW on how they see this fitting in with their other health programs and with the National Health Insurance Program.

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	✓	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
	✓	WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
✓	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 27, 1978

MR. PRESIDENT:

This briefing paper is late in getting to you because neither my staff nor DOE found out until late Sunday night that no arrangements had been made for briefing materials for your meeting with the Governors. DOE and my staff immediately followed through for its preparation. We worked with Jim Schlesinger's staff most of last night to ready this material for your use this afternoon.

A handwritten signature in black ink, appearing to read "Stu".

Stu Eizenstat

OIL AND GAS ROUNDTABLE DISCUSSION

I. Lead Governors and Lead Federal Officials

Governor Dolph Briscoe, Jr. (Texas)

Governor David L. Boren (Oklahoma)

David Bardin, Administrator, Economic Regulatory
Administration, DOE

II. Issues Discussed

- * Whether NEP's oil and gas production goals can be achieved by NEA
- * Adequacy of incentives for oil and gas production
- * Access to DOE modeling data in support of NEA
- * California heavy crude
- * New definition of marginal wells which do not fit "stripper" definition
- * Role of oil and gas deregulations vis-a-vis OPEC imports

III. State Response

- * DOE estimates of production are high by 40%; should use five years of historical data rather than 20 years
- * DOE erroneously estimated low supply elasticity for natural gas at prices above NEP prices.
- * DOE did not respond in a timely manner to requests for data underlying the NEP
- * Administration should do more to promote the production of California crude oil
- * Present stripper well definitions do not reach all marginably economic wells.

- * State response was varied on the deregulation issues. Texas, Oklahoma, and Louisiana advocated deregulation. Nebraska, Nevada and New Jersey indicated doubts.

IV. Federal Response

- * Trend line projection should be made taking account of as much data as possible
- * Prices significantly above those provided in the NEP would tend to drive up costs of drilling but would not lead to significantly greater drilling
- * DOE will cooperate more fully in providing relevant data in the future.
- * Lower tier heavy California crude oil was recently given benefit amounting to \$1.74 per barrel. A broader rule making proposal will be issued next week to obtain public comment on additional measures.
- * Stripper well definition will be examined.

V. Federal Commitments

- * Share DOE computer modeling data with states
- * Work to remove regulatory impediments to California heavy crude production
- * Work with Kansas Governor Bennett (Chairman, Interstate Oil Compact Commission) to define definition marginal wells.

COAL ROUNDTABLE DISCUSSION

I. Lead Governors and Lead Federal Official

Governor Julian M. Carroll

Deputy Secretary John F. O'Leary, Department of Energy

II. Issues Discussed

- coal transportation issues
 - * maintenance of coal haul roads
 - * State or private takeover of abandoned railroad rights-of-way
 - * conditions of railroad roadbeds
 - * assistance for communities impacted by increased rail traffic
- Impact Assistance for Communities affected by accelerated energy development
- DOE's program for stimulating the development of new coal technologies
- environmental constraints to increased coal utilization
- Department of Interior's coal leasing agreement on Federal lands

III. State Responses

- Federal Government should explore the feasibility of using part of the surface mining reclamation fund for coal haul road improvement
- Federal Government should consider a surcharge on rail freight to finance improvements of the railroad system

- consider amending existing railroad laws to permit States or private investors to take over abandoned railroad rights-of-way
- called for an immediate Federal commitment to work with the States in organizing joint impact assistance teams
- concerned about EPA implementation of the Clean Air Act Amendments of 1977

IV. Federal Response

- the appropriate Federal Agency will follow-up with the National Governors' Association staff on all major issues discussed at coal roundtable.

V. Federal Commitments Made

- DOE will talk to Governor Shapp about the program to develop methane gas from coal
- DOI will explore feasibility of using abandoned mine reclamation fund for coal haul road improvements
- DOT will look at Governor Shapp's proposal to improve rail transportation system in the Northeast

RENEWABLE RESOURCES ROUNDTABLE DISCUSSION

I. Lead Governor and Lead Federal Official

Governor George R. Ariyoshi, Hawaii

Governor Ella T. Grasso, Connecticut

Acting Assistant Secretary for Conservation and Solar
Applications, Donald A. Beattie

II. Issues Discussed

- adequacy of the Federal research and development budget for renewable technologies
- how the States and the Federal Government together can overcome institutional and economic barriers to the commercialization of renewable technologies
- the degree to which fuels from biomass can be utilized, and the means of accelerating utilization of these technologies
- need for Federal information standards and certification, especially for solar thermal applications, and for technical assistance for renewable technologies

III. State Responses

- the Federal budget for research and development of renewables is too low; it does not reflect the "moral equivalent of war."
- tax credits or loans are needed to stimulate the installation of solar energy equipment
- fuels from biomass evoked consistent support
 - * wood burning

- * alcohol as a gasoline additive (Exon - Nebraska)
- * feedlot manure conversion to methane (Shapp - Pennsylvania)
- the need for Federal and State standards to protect the consumer

IV. Federal Response

- Federal research and development budget for inexhaustibles is being reexamined in the form of the National Energy Plan
- * take the lead in research and development and utilize state resources where available. States should take lead in reducing local institutional barriers and regional consideration to development of inexhaustibles
- reexamine the priority of fuels from biomass

V. Federal Commitments Made

Will consider Governors suggestions to accelerate development of inexhaustible energy sources in Department of Energy planning and priority setting.

OCS ROUNDTABLE DISCUSSION

I. Lead Governors and Lead Federal Official

Governor Pierre du Pont IV

Secretary Cecil D. Andrus, Department of the Interior

II. Issues Discussed

- Role of Department of Interior in OCS
- OCS legislation
 - * impact assistance
 - * fishermen's gear compensation
 - * bidding systems
 - * oil spill liability
 - * pre-lease exploration
 - * streamlining various processes, including judicial process.

III. State Responses

- Commended Secretary Andrus for close working relationship with States on OCS.
- OCS Amendments
 - * most states want more money for coastal energy impact assistance and want it to be apportioned on the basis of new (as opposed to Gulf of Mexico) development.
 - * general support for fishermen's gear compensation, especially strong from New England.

- * general support for flexibility in the use of new bidding systems
- * strong support for comprehensive oil spill liability
- * support for discretionary, but not mandatory pre-lease exploration, by contract or permit, not directly by the Federal Government
- * strong support for streamlining processes where possible. Support for provision in OCS legislation that provides for consolidation of suits in a lease area, and for suits to go directly to Appeals Court.

IV. Federal Response

- Legislation

- * Secretary Andrus noted that not all of the money which has been appropriated so far has been used by the States. OCS amendments have shifted emphasis toward areas facing new development.
- * Administration has supported smaller amount of money in OCS legislation (Senate version of S. 9 -- \$75 million).
- * House version of fishermen's gear compensation has been acceptable to Administration.

- * Administration also wants flexibility in the use of bidding systems
- * Administration supports Comprehensive Oil Spill Liability legislation
- * Administration has consistently supported discretionary pre-lease exploration as a way of increasing knowledge about our resource base.
- * Administration agrees with need to streamline and supports those provisions of bill.

V. Federal commitments made

- No Federal commitments were made.

NUCLEAR ENERGY ROUNDTABLE DISCUSSION

I. Lead Governors and Lead Federal Official

Governor Meldrim Thompson, Jr., New Hampshire

Governor James Edwards, South Carolina

II. Issues Discussed

- Waste Management

- * Relationship of solution to future deployment of Light Water Reactors
- * Federal timetable for implementing plans and programs
- * Public perception of the problem

- Reprocessing and Recycle

- * Relationship to proliferation
- * Future of Barnwell Nuclear Fuels Plant
- * Relationship to uranium reserves
- * Relationship to waste management

- Need for Regulatory Reform

- * Timely deployment of Light Water Reactors
- * Limiting the hearing process

III. State Responses

- Public will continue to oppose nuclear power until effective waste management is demonstrated
- Public has heard "nothing new" from DOE concerning waste management
- Most Governors felt reprocessing represented an attractive and cost effective production methodology and should be utilized - several other Governors

wanted more information on reprocessing

- Governors doubted that the proposed Nuclear Licensing Bill would be strong enough to do the job
- Failure to reprocess exacerbates the waste problem
- Best way to reduce existing and future plutonium inventories is to burn this material in fast breeders

IV. Federal Response

- Reprocessing is not needed to deploy Light Water Reactors, as contemplated by the NEP, due to large size of uranium resource base
- Problems with the public confidence and the waste management issue are well known and this is why we attach such a high priority to its solution
- Resulting waste management policy will be a Presidential one
- The waste problem is about equally severe whether or not we reprocess
- The Nuclear Licensing Bill will reduce reactor lead times considerably

V. Federal Commitments

- Provide Governor Evans of Idaho with information regarding the relative economics of smaller nuclear plants which would be more in line with his State's needs (DOE)

- Provide several Governor's with the pros and cons of reprocessing, particularly as the issue relates to the depletion of the resource base, given Light Water Reactor deployment as contemplated by the NEP.

FACILITY SITING

I. Lead Governors and Lead Federal Official

Governor Robert W. Straub (Oregon)

Governor Julian Carroll (Kentucky)

Robert Hanfling, Special Assistant to the Deputy
Secretary of Energy

II. Issues Discussed

- * Appropriate Federal and State roles in determining type, location, and timing of facility development
- * Need for legislation proceeding framework for States to undertake policy and program development for timely and effective facility siting
- * Duplication of Federal/State environmental reviews
- * Prior consultation with States regarding nuclear waste disposal

III. State Response

- * States should be focal point for final decision-making regarding siting and need for power determination
- * Draft Nuclear Facility Siting and Comprehensive State Energy Planning and Management Bills can provide appropriate framework for assistance to States in policy and program development efforts
- * Separation of planning issues from specific facility proposals would provide order to the process and timely resolution to outstanding issues
- * Eliminate duplicate Federal/State environmental reviews in facility proposals

- * Interested states should be allowed to assume responsibility for making NEPA review
- * Governors must be consulted on nuclear waste disposal policy
- * Regional issues should be an integral component in facility siting decision-making

IV. Federal Response

- * Energy facility siting key element in achieving necessary energy development
- * Draft Nuclear Siting and Comprehensive State Energy Planning and Management Bills can provide appropriate framework for aggressive State action for timely and effective siting of energy facilities

V. Federal Commitment

- * No Federal commitment

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for Preservation Purposes

FALLOWS
TALKING POINTS
+ de/pushd/1003

2:30 PM

THE WHITE HOUSE

WASHINGTON

February 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Meeting with Governors on Energy Production Issues
Monday, February 27, 1978 2:30 p.m. Room 450 EOB

As you know, the governors have expanded their winter meeting to include discussions on energy production issues. They met all afternoon yesterday in the EOB with Jim and his staff, Stu's energy staff, Cecil Andrus, and many other federal officials. We have prepared a short summary for each of the six Roundtable Discussions. In addition, Jim and Stu have collaborated on some key points which they think you should make in response to the governors' reports. All of this information is attached.

We recommend the following format for the meeting.

2:25 pm You depart West Wing and go to holding room outside 450 EOB.

2:30 pm You enter 450 and take the center chair on the stage. There will be a brief photo session as you make a welcoming statement. Sitting with you on the stage will be:

Governor Bill Milliken, Chairman of NGA
Governor Julian Carroll, Chairman of NGA committee on Natural
Resources and Environmental Management
Jim Schlesinger
Jack Watson

All other governors and federal officials will be seated in the front rows.

2:35 pm You ask Governors Milliken and Carroll to proceed with the reports. They will call on these "lead" governors to report for about five minutes each:

Governors Dolph Briscoe and David Boren -- Oil and Natural Gas
Governor Julian Carroll -- Coal
Governor James Edwards -- Nuclear
Governor Robert Straub -- Facility Siting
Governor Pierre du Pont -- Outer Continental Shelf
Governor George Ariyoshi -- Renewable Resources

At the last conference you chose to wait until you had heard from all governors before you responded; we think this is a good idea.

3:05 pm Presidential remarks and discussion

3:30 pm Adjournment at your convenience; the governors have nothing else scheduled this afternoon.

They will all have a chance to meet the press outside the EOB when the session is adjourned.

Attachments

ROUNDTABLE DISCUS-
SION SUMMARIES

THE WHITE HOUSE
WASHINGTON
February 25, 1978

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLONS, ^{Jim AN.} ACHSAH NESMITH
SUBJECT: Governor's Conference on Energy

The following talking points are for your opening remarks. You will then hear the governors' summaries of Sunday's deliberations and respond to them.

1. The prolonged coal strike has brought home to us all, as did the problems caused by recent severe winters, the basic importance of energy in the functioning of our society. The potential dangers to our economy and even the lives of our people makes us aware that we are no longer a land of virtually self-sufficient homesteads, where severe weather was met by making sure all of the family and the stock were safe and fed and the woodpile was adequate. We can't go out and chop some kindling and bring in a few logs to make our factories run, keep our businesses and schools open, run our trains and operate our hospitals. We have overcome much of the drudgery and many of the obstacles that limited our ancestors' opportunities, pleasures and achievements. Energy has played a major role in our ability to overcome those limitations. Computers and complex machinery not only send us bills and make our clothing, automobiles, typewriters and refrigerators, they save lives and provide our

people with livelihoods through hundreds of kinds of jobs that did not exist until recently. Our need for energy unites us just as our use of energy has freed us. There are many things we can do to conserve energy, but to have the will to do them we must all first accept the importance of energy to our way of life and to our economic system, at virtually all levels. We must recognize that the availability of energy is not automatic. We can be cut off.

You can remember when the lights came on at your family's farm when you were a boy. You remember seeing the surrounding farms and the opportunities and lives of the people transformed by that power and its potential. We have seen the damage and the dangers of even temporary blackouts. We have been forewarned. You don't want to see the lights go off all over America because we have blindly refused until it was too late to do what had to be done to safeguard our supplies and to stop wasting the irreplaceable resources that keep our society running.

2. This is an especially appropriate weekend for them to come to Washington to consider energy production, as they considered conservation last summer. A President can not make provision alone for the continuation of those supplies or the conservation of what we have -- you need their help, and the help of the Congress and the American people. You need their help now to make sure that all that can be done is done at

the state level to see that essential power is not interrupted until the strike settlement can be approved and the men can be back to work in the mines.

3. This strike, uncomfortable as it was, does not change the need to convert to coal wherever possible. The collective bargaining process has historically been difficult in the coal industry, but our nation's hopes for resolving our energy problems still rest on a coal production system that is safe, efficient and secure. The miners and the operators share with the public the need to resolve the long-term problems of this industry, and you are appointing a Presidential commission to work with union and management to find answers to the basic questions of health, safety and stable production. The agreement Friday proved the collective bargaining process can still work in coal as in other industries. We must see that it does work.

4. Within the next few days the Administration will be sending legislation to the Congress providing for streamlined procedures on nuclear licensing which should reduce lead times from the current 10 to 12 years to a more feasible 6 to 8 years. A major element of this legislation is a provision which would permit the states that so desire to assume responsibilities for selecting sites and for environmental reviews of nuclear power plants. Currently

environmental reviews are done by the Nuclear Regulatory Commission, even though many states have set up similar requirements.

We believe that both site selection issues and environmental issues can and should be handled at the state level, except as they relate to health and safety regulations.

Determination of the need for a particular power plant, whether nuclear or coal-fired, should also be made at the state level. Governors are in the best position to balance state needs and preferences on issues of site selection and many states have developed substantial expertise in environmental evaluations. State level environmental reviews will also help bring the decision-making process closer to the citizens who will be drawing on the power from a proposed plant and those who will be its neighbors.

5. This Administration is also looking forward to enactment of legislation to reform licensing and management procedures for drilling off our coasts. A major thrust of this bill will be to give the governors of coastal states a more active role, and a determining say in the schedules for off-shore leasing and development. If we are to develop outer continental shelf resources in a manner which is consistent with other uses of coastal lands and waters -- such as tourism, fishing, and preservation of precious wetland areas -- a strong state role must be established. We look forward to working

closely with the coastal state governors to develop these resources which we need to maintain healthy economic growth, but which require careful planning and sound judgments, balancing diverse needs.

#

TALKING POINTS FOR THE PRESIDENT'S REMARKS
ENERGY PRODUCTION CONFERENCE

MONDAY, FEBRUARY 27

- Welcome and thank you for the time and effort expended in preparation for yesterday's working group meetings followed by this afternoon's reports.
- Your presentations underscore both the importance and difficulty of finding solutions to this Nation's energy production needs.
- The solution to the Nation's energy problems represents one of the great challenges of this decade. No other national issue so affects the economic well-being of all Americans.
- The answers to energy problems are not simple. Slogans or panaceas only divert us from the serious job of finding long-term solutions.
- Energy is not just a Federal problem -- it is an issue which directly involves every State and locality. We must work together to find solutions -- cooperatively -- not in a state of conflict. The national stakes are too high for energy to become a partisan, regional, or class issue. It is an issue that affects all of us no matter where we live, no matter what we do.
- The recent coal strike as well as last year's natural gas crisis and the 1973-74 oil embargo are each grim reminders of how vulnerable the Nation is to interruptions in energy supply.

The National Energy Plan

- The National Energy Plan was designed to lay the foundation for achieving that goal by
 - o reducing the spiraling demand for energy to a level that could be met without straining domestic resources and reducing the increasing or amounts of oil and gas imported from abroad;

- o replacing oil and gas use with coal, nuclear and other abundant fuels;
 - o stimulating new production of oil and gas through incentives directed at new discoveries; and
 - o developing renewable and inexhaustible sources of energy to allow our economy to continue to expand in the future.
- Failure to enact the National Energy Plan has created investment uncertainty at home and concern among our allies about U.S. resolve in dealing with the Nation's serious energy problems.
 - The delay in enacting this legislation has also prevented implementation of a number of pricing incentives that are integral to the overall National Energy Plan.
 - I am hopeful that the Congress will shortly come to grips with the natural gas pricing and tax provisions of the National Energy Plan so that the Nation can move ahead on its energy planning.

Phase II

- The National Energy Plan also provides the pricing and regulatory framework for encouraging the development of new technologies. Even with these incentives, however, it was recognized in the development of the NEP that further supply initiatives would be necessary to stimulate new technologies for deployment in the mid-1980's and beyond.
 - It is important to take advantage of the time we have before oil supplies become so tight that prices begin to soar with resultant depressing impacts on the world economy.
 - Therefore, DOE is now developing Phase II of the National Energy Plan to ensure that the new technologies which will be necessary in the post-1985 period will be available when we need them.
- o The heart of the Nation's energy problems in the future are tied to shortages of oil and to a lesser extent natural gas.

- o Yet the Federal research and development effort has historically been chiefly aimed at new and cheaper ways to produce electrical power. Although important, this can no longer be the major focus of Federal commercialization efforts.
- o DOE is therefore reviewing options for stimulating the development of new energy technologies in the non-electric area. These technologies include processing for the manufacture of synthetic petroleum and gas from coal, alcohol fuels, oil shale as well as a wide range of renewable technologies. These initiatives would be directed toward meeting the significant gaps in oil and gas production projected for the future.

Nuclear Licensing Bill

- Although the major focus must be on substitutes for oil and gas, steps must be taken to ensure that the Nation has a diversified source of electrical power supply.
- We will soon be sending a nuclear licensing bill to the Congress that will reduce the unacceptably long period of time it takes to license and construct a nuclear plant.
 - o The 10 to 12-year time frame for nuclear power construction could be reduced to 6 to 8 years under this legislation, consistent with accepted safety and environmental standards.
 - o Nuclear power in the form of light water reactors has a place in our electrical supply system. A distinction must be made between breeder reactors and reprocessing systems which spread the danger of proliferation compared to the light water reactor which can provide a useful share of the Nation's energy supply.
 - o I am convinced that the Nation would make a mistake committing to only one source of power for electrical generation, such as coal, on both environmental and energy grounds. A diversified energy system provides

greater reliability against potential supply interruptions and greater flexibility in terms of minimizing impacts on the environment.

State Assistance

- Large scale energy development will place severe pressures on some communities. The Department of Energy has been working closely with the States in developing a program of impact assistance to moderate potentially adverse impacts on communities facing an explosion of public service needs.
- The Department of Energy is also conducting a study on the role of States as a partner in meeting the Nation's energy objectives. This study is designed to determine the best ways to strengthen State and local capabilities to meet their responsibilities in solving the Nation's energy problem.

Regulatory Reform

- Many of you are critical of a wide variety of Federal regulation and other activities. I, too, am frustrated with many of the unwieldy Federal requirements that have grown up over the years.
- Secretary Schlesinger has appointed a task force to simplify Department of Energy regulations, to invite more public participation in their development and to put the regulations in plain english.

The State Role

- The Federal Government still has a long way to go, but we are taking the first steps to simplify the way we operate.
- You also have responsibilities in this area.
 - o In many cases State processes take as long, and sometimes even longer, than Federal requirements for bringing energy sources on line.
 - o These actions inhibit investment decisions and lead to confusion, frustration, and ultimately, inaction.

- o As the Federal Government moves to streamline its processes and make government responsive to the needs of States, local governments and the private sector, it becomes doubly important that you join in this endeavor.
- o The elimination of one set of requirements, while continuing another, will only partially solve the problems we are seeking to overcome.

Conclusion

- This conference has spotlighted the challenges we face and the frustrations we share in reaching our energy goals. We cannot afford to leave this conference with anything but a sense of joint resolve to stimulate greater production and, particularly, to remove governmental barriers that serve no useful purpose.
- There is little difference among any of us over the need to conserve energy, stimulate greater development of conventional sources and develop new technologies.
- There may be some differences on how to achieve these goals.
- o Let me suggest that first we all work together in a positive way to gain enactment of the National Energy Plan - even if all aspects of the plan are not satisfactory to us.
- o Second, that we all work together to overcome barriers to energy production and to simplify the business of energy production.
- o Finally, that we at the Federal level recognize that the States are the real building blocks for developing the new solutions for dealing with the energy problem. I am convinced that the national government can learn much from you, and I am committed to taking full advantage of the broad range of innovative activities that are occurring at the State and local level.

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for Preservation Purposes

2:30 PM

EIZENSTAT/
DOE MEMO



Department of Energy
Washington, D.C. 20585

February 27, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
JIM SCHLESINGER

SUBJECT:

Briefing Material for Meeting with Governors

1. Issue Memo
2. Suggested Talking Points for an Opening Statement
3. Summaries of Yesterday's Meetings

Discussion sessions on Sunday with the Governors, their staffs, and various federal officials covered the following general topics:

- o Oil and Natural gas
- o Coal
- o Nuclear
- o Facility Siting
- o Outer Continental Shelf Leasing
- o Renewable Resources

The lead governor from each group will present a summary of the discussions in the session with you this afternoon. We have reviewed here the major areas of disagreement and have suggested responses to questions which we anticipate from the Governors.

I. Oil and Natural Gas

A. Oil and Natural Gas Information and Projections

Governor's Boren and Briscoe, who led the Sunday discussion, continue to oppose our \$1.75/mcf price for new gas. They questioned the Department of Energy's data on price/supply response issues, and feel that the DOE miscalculated the amount of gas which could be recovered at prices above \$1.75. They also stated that the NEP production estimates are unrealistically high. The DOE estimates are based upon an assessment of 20 years of data. Governors Boren and Briscoe believe that only data from the past 5 years should be used, which would produce a lower projection of drilling productivity.

They also were concerned about an alleged lack of responsiveness to a request from Texas (finally filed formally under the Freedom of Information Act) for DOE's data on oil and gas availability. Some delay was encountered in responding to the Texas request, although DOE has now satisfied their inquiry, and pledged on Sunday to provide any additional assistance and cooperation they may need.

Suggested Response:

- o I can assure you that the Department of Energy will share fully with you the information and assumptions it has been using in making these calculations.
- o If, after these discussions, you have information which indicates that our techniques are inaccurate, I know that Jim Schlesinger will want to hear from you about them.
- o It is my understanding that the science of predicting resource availability at any price level is inexact, at best. We have tried to do our best in calculating price and responses to price in a fair way using the best methods available.
- o Our estimates are based upon a statistically sound methodology. We basically are endeavoring to project the development of a fixed geological resource. There is no inherent reason why data from more than five years ago should be thrown out in making such calculations. There are several reasons why the past five years may have been atypical. The most important fact is that the price of oil more than tripled in a very short time which promoted quick development of low risk (and low productivity) resources.
- o It is also true that a high percentage of future reserves must come from offshore areas which historically have had very high productivity.

B. Natural Gas Compromise

You may be asked about the status of Congressional efforts to reach a natural gas compromise, and the Administration's role in those efforts.

Suggested Response:

- o The Senate Conferees are continuing their discussions in an effort to reach agreement on natural gas. We have been monitoring their progress carefully, and hope that agreement will be forthcoming shortly.
- o Throughout these difficult negotiations we have attempted to provide every assistance that we can to the Congress. Should my assistance be requested in this effort, I will be happy to provide it.
- o I believe the Conferees share with me an understanding of the need to face up to this and the other remaining questions in the energy bill. Both energy producers and energy consumers must have a fair and certain framework in which to continue efforts to respond to our energy problem.

C. Oil -- California Production

On Sunday, Governor Brown criticized the Administration for an alleged lack of action on preventing reduction in California heavy crude oil production.

Some California crude oil is higher in sulphur content and lower in quality than that available from foreign (Indonesia) or Alaskan sources. Environmental restrictions on sulphur make California crude inherently less marketable than others. In addition, the entitlements program works on the basis of national averages, and, as such, has made this lower grade crude less attractive to refiners. The glut of oil on the West Coast, particularly with the arrival of Alaska North Slope gas and production from the Elk Hills Naval Reserve, have further depressed the market for California heavy crude. As a result, some California producers have begun to "shut-in" i.e., close down, their wells.

Brown accused the Administration of not doing everything possible to encourage California production and thereby increasing imports at least on the West Coast.

Suggested Response:

- o The West Coast crude oil surplus resulting from Alaskan oil production has been a major factor in the worsening California heavy crude situation. The Sohio pipeline project to move Alaskan oil from the West Coast to Texas and the Mid West would eliminate this surplus and help alleviate the heavy crude problem. The Federal government has done everything it can to expedite this project, but the State of California has not moved quickly. State approval could be an important step in helping solve the heavy crude problem.
- o As to the entitlement problem, since last fall when the Administration became aware that some California producers might shut in their wells because of the arrival of Alaskan crude and growing surpluses, we have worked closely with California officials to resolve the problem. I am committed to helping keep California production up.
- o Last December, the Department of Energy increased the entitlements benefit for heavy California crude by \$1.74 per barrel. The Department also pledged to monitor prices and trends carefully to determine what, if any, additional action would be needed.
- o We continue to be concerned about this problem, and last week the Department of Energy issued a broad rulemaking notice to examine a number of additional steps to improve California oil production. Additional entitlements adjustments, pricing adjustments and widening of markets for California crude are among the remedies we will explore. The Department has moved promptly to act in this situation and will review and implement, if necessary, the broader actions recently suggested.

(Note: The California State Comptroller, Ken Corey, with whom we have worked most closely and who oversees State-owned oil production feels that Brown's criticism of the Administration is not justified. Some believe that Brown is making this pitch to draw fire away from allegations that Brown's own State environmental policies are requiring use of Indonesian crude imports. You should feel comfortable, based on Corey's praise for our efforts, in making the statement that the Administration has been sensitive and cooperative on this problem.

II. Coal

A. Impact Assistance

The Department of Energy has been working jointly with the Governor's for the last six months to develop a proposal to alleviate the adverse impacts (boom or bust town's) of rapid energy development. A decision memo on such a program is due to you in mid-March. This problem affects principally the Western states and Appalachia. A joint meeting with Governors Lamm, Rockefeller, Link and Judge and the Secretaries of Commerce and Energy was held here on January 30. Rockefeller, later joined by Lamm, proposed immediate initiation of a survey of energy impact needs -- called a "joint Federal-State impact assessment program." Consensus was reached, both Federal and state, that this was a sound idea, although details were not discussed. The Governors, however, feel that a commitment was made to begin this program right away.

While we will be recommending to you that some assessment program based on the Rockefeller proposal go forward, additional work needs to be done on defining eligible impacts, state roles and federal responsibilities. We do not want to begin this overall assessment of needs until we have determined what level of budget resources, if any, the Administration will commit to an assistance program. To proceed with assessing needs beforehand would only lead to nightmarish requests for blank checks from the Federal Treasury. We have told the Governor's staffs that since we are so close to giving you our overall recommendations on impact assistance (mid-March), we would prefer to defer beginning this program until then.

Governors Rockefeller and Lamm will probably question you on this, and may allege that the Administration is reneging on a commitment which they believe they received in the January 30 meeting with Schlesinger, Kreps and Watson.

Suggested Response:

- o Appreciate the commitment and hard work which the Governors and their staffs have put into this joint Federal/state effort. I am looking forward to receiving the joint Federal state report and reviewing the options presented for dealing with the impacts of energy resources development. Jack Watson, Jim Schlesinger and Juanita Kreps have each told me of the productive session which Governors Lamm, Rockefeller, Link, and Judge had here at the end of January.
- o I understand that the concept of going forward with specific impact assessments was put forward at that meeting and was enthusiastically received. I intend to move forward with this proposal. Before you commit your state resources to this effort, however, I think we should work out the criteria and guidelines so that you know in advance how this material will be used. I have asked Jim Schlesinger and Juanita Kreps to work with you to develop a plan for carrying out these assessments. I look forward to receiving a report from them on this plan when I review the recommendations for an overall impact assistance program.

B. Coal Roads

Considerable concern was expressed about the damage done to local roads by increased levels of coal truck traffic. The issue is of particular interest to Appalachia. Governors do not believe this should come out of their highway trust funds, and were questioning as to the availability of other sources (suggestions were: COET, diversion of strip mine reclamation funds, and new funding.)

Suggested Response:

- o The Department of transportation is reviewing the impacts of increased coal trucking on federal, state and local road systems. We should, however, be looking to means of internalizing these costs whenever possible. I do not believe that use of the crude oil equalization tax receipts, nor the new surface mine reclamation fund would be appropriate.

III. Nuclear

The nuclear group, in which Governors Edwards (South Carolina), Thompson (New Hampshire) and Ray participated will criticize Administration policy on reprocessing, waste disposal, the breeder, and nuclear R&D generally. Governor Edwards may bring up the Administration's zero funding for Barnwell. There is a new effort underway by the Barnwell owners to seek FY 1979 funding for the plant, which we oppose. Continued federal funding for the facility will lead to a federal takeover of one facility. This is inconsistent with our non-proliferation and budget policies.

Suggested Response:

- o The Administration recognizes that we will continue to rely on light water reactors to meet our electricity needs. In the next few days, I will send to the Congress legislation to reform the licensing and siting process. Our objective is to cut down on the unnecessarily long lead times now required to put a light water reactor in operation. This bill will rely heavily on the states in assuming siting and environmental review responsibilities. This increased state role, along with a program which permits "banking" of nuclear sites well before they have to be used, should assist considerably in cutting down time consuming red tape.
- o In addition to licensing and siting difficulties, the question of waste disposal continues to dampen new orders for light water reactors. We are committed to dealing squarely with this problem, and have proposed substantial FY 1979 budget resources for developing a solution.

- o We are aiming to develop an Administration-wide program for waste disposal by the end of the year. State and local participation in this policy-development process will be critical, and I am looking to each of you for suggestions and support in dealing with this issue.
- o While I remain committed to a strong, advanced nuclear R&D program, I do not believe that construction of a commercial prototype breeder such as the Clinch River Breeder Reactor is either a necessary, nor wise use of taxpayer resources. It is also inconsistent with our non-proliferation objectives.
- o I continue to stand firm in my decision to defer indefinitely commercial reprocessing of spent nuclear fuel. This is crucial to realizing our objectives of halting the spread of nuclear weapons. I have not recommended a continuation of funding for the Barnwell Nuclear Fuels Plant, and did not propose funds for FY 1979 in my budget. Although work is under way at Barnwell under government contract for FY 1978, I do not believe that additional useful work can be performed there after the current activities are completed. I stated last April that I do not favor a federal takeover of Barnwell, and I continue to be firmly committed to that view.

D. Outer Continental Shelf Leasing

The OCS bill is now in conference. The Governors are split on several of its major provisions, particularly those dealing with new bidding systems and federal exploration prior to leasing. The coastal state governors favor an increase in the existing \$50 million/year grant program for coastal impact to between \$75 and \$200 million per year. They have also complained that the interest rate for federal loans for coastal impact assistance is too high to be useful.

Suggested Response:

- o We support reform of the OCS leasing program to include flexibility to use alternative bidding

systems and to provide for discretionary exploration prior to leasing. I would stress that the government is not interested in getting into the oil business, and any prelease exploration would be done under contract with the oil companies.

- o The changes in the leasing system contained in the bill in conference are important to ensuring that OCS development goes forward in a manner consistent with the needs of coastal states to have a strong say in leasing schedules and decisions, to enhance competition in the development of these resources, and to ensure that sound environmental planning accompanies this development.
- o To assist coastal states, we have supported an increase in the grant program authorization to \$75 million per year. We will also be reviewing the interest rate for the loan program.

IV. Renewable Resources

The Governor's criticized the FY 1979 budget for lack of emphasis on solar and other renewable resources. They point to a decrease in FY 1979 budget authority for solar R&D as evidence of our lack of concern in this area.

Suggested Response:

- o In evaluating the FY 1979 budget, one must look at both the solar R&D program and the new tax incentives which we have proposed to encourage immediate application of currently available solar and renewable technologies. For example, we are moving out of the demonstration phase in the solar heating area into a program to encourage commercial use. We have budgeted \$100 million for FY 1979 to encourage commercial use of solar heating. When both of these program are taken into account, I believe that our commitment to these new energy supplies becomes clearer.
- o Overall, our FY 1979 budget contains almost \$200 million in additional expenditures for renewable resources, excluding fusion. If fusion is included, that total is \$250 million.

- o Finally, the Department of Energy is now working on additional supply initiatives, including a review of renewable resource possibilities. While our budget is, of necessity, a tight one, I believe that we have taken an important first step to redirect our resources in a way that will foster both research and development and use of these new technologies.

THE WHITE HOUSE
WASHINGTON

February 27, 1978

Zbig Brzezinski

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

cc: Hamilton Jordan

RE: DEFENSE REPORT



~~SECRET~~
THE PRESIDENT HAS SEEN,
THE SECRETARY OF DEFENSE
WASHINGTON, D C 20301

C
/

February 24, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary of Defense
(February 18-24, 1978)

Visit to Pacific Command: My short visit to the Pacific Command received very positive news coverage, both in this country and in Asia. My address Monday evening to the Los Angeles World Affairs Council, about your national security policy with respect to East Asia, was well received. Mike Mansfield cabled from Japan his pleasure about its content. A copy of the speech is attached. I would like to review with you at our Monday meeting several aspects of our Asia policy.

Exercise TEAM SPIRIT: Charles will visit Korea in early March to observe Exercise TEAM SPIRIT, the major annual joint U.S./ROK exercise. This year's exercise will focus on the U.S. capability to reinforce Korea in an emergency. Based on comments I received during my visit to the Pacific Command last week, I believe Charles' presence will help reemphasize our commitment to the security of Korea and East Asia.

B-1 Vote: I have nothing to add on the B-1 vote other than that your Congressional Liaison staff did an excellent job of planning and coordinating this effort. We all worked together, our efforts were effective, and it's good to win.

Hearings on Withdrawal from Korea: I testified Wednesday before the House International Relations Committee on the withdrawal of ground combat troops from Korea and related equipment transfers. General Vessey is testifying today on the same subject before Sam Nunn's Manpower Subcommittee. Chairman Zablocki indicated support, but it is going to be difficult to keep our Korean plans from becoming entangled in the Korean bribery scandals.

Hearing on Maritime Posture: Charles, accompanied by Graham Claytor and Admiral Holloway, testified yesterday before the Senate Armed Services Committee on our maritime posture. The main issues, as you might expect, were nuclear versus non-nuclear carriers, the role of the Navy, and shipbuilding and claims problems. The clear message is the Committee members want more ships, and a settlement of the claims.

Classified by Sec Def
SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF
EXECUTIVE ORDER 11652. AUTOMATICALLY DOWNGRADED
AT TWO YEAR INTERVALS. DECLASSIFIED ON 31Dec86

~~SECRET~~

Jas 5/3/90
SEC DEF CONTR No. X-0560

NATO Meeting: Last week Assistant Secretary Dave McGiffert chaired the second meeting of the NATO Nuclear Planning Group senior planners at Los Alamos, New Mexico. The major topic was theater nuclear force modernization.

Visit with Congressman Sikes: Charles, Graham Claytor and Admiral Holloway met with Congressman Bob Sikes and some of his constituents on Tuesday. Sikes reiterated his strong opposition to the consolidation of undergraduate helicopter pilot training. I have directed my auditors to verify that consolidation is the best choice.

Meeting with Admiral Rickover: Charles met with Admiral Rickover on Wednesday and discussed the Admiral's views on TRIDENT submarine options and shipbuilding claims in general.

Visit of Danish Prime Minister: On Wednesday I discussed with Danish Prime Minister Jorgensen enhanced radiation weapons; the level of Danish defense spending; nonproliferation; the UN Special Session on Disarmament; and reinforcement planning, particularly as it affects Denmark. I again emphasized the need for all NATO countries, including Denmark, to work for a 3% real increase in defense spending.

Hearings Next Week: I shall testify next week before both Budget Committees on the FY 79 Defense Posture; General Haig, along with DoD witnesses, will appear before the two Armed Services Committees and House Appropriations Committee on NATO; and Charles will testify on the FY 79 International Security Assistance Program before the House International Relations Committee.

General Brown: I shall continue to have you kept advised of George's condition. The present expectation is that he will, if no spread is found, be able to begin radiation therapy in three or four weeks. During the seven or eight weeks of therapy he probably will be able to continue on duty.

Harold Brown

Attachment

1060

THE WHITE HOUSE

WASHINGTON

February 27, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Jack Watson
Hamilton Jordan

RE: WEEKLY LEGISLATIVE REPORT

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

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<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
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ACTION	FYI	
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Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

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<input type="checkbox"/>	WARREN

THE WHITE HOUSE

WASHINGTON

February 25, 1978

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE
SUBJECT: Weekly Legislative Report

1. ENERGY

-- Early next week Senator Jackson hopes to take his natural gas proposals with refinements to Senators Johnston, Ford, Hatfield, and Domenici in an effort to produce a Senate proposal.

-- We understand that Rep. Toby Moffett is circulating a petition to have the House Democratic Caucus meet to discuss the energy plan. In a subcommittee hearing last week, he renewed his plea that the Administration abandon the "package" approach and that both Houses act on the portions already agreed to by the conferees.

2. FOREIGN POLICY ISSUES

Panama Canal Treaties: Our support eroded slightly among key Senators this week, but by Friday the situation had stabilized and our fortunes are now improving slightly. We expect one more day of press on the drug issue when the sanitized transcript of the closed session is released. However, the feeling is that the matter has been neutralized as a Treaty issue.

-- We are drafting a revised strategy for each of our targeted Senators. The 18 are listed below.

DeConcini (L+)	Long (U)	Burdick (L-)
Ford (L+)	Nunn (U)	Cannon (L-)
McIntyre (L+)	Zorinsky (U)	Melcher (L-)
Brooke (L+)	Bellmon (U)	Randolph (L-)
Heinz (L+)	Roth (U)	Talmadge (L-)
	Schweiker (U)	Stevens (L-)
	Hatfield (U)	

-- I will deliver the strategy paper to you Monday morning. Another meeting of our cabinet group may be necessary. We are having a problem getting reports back from those who have been committed to making calls. Much of that can be attributed to preoccupation with the coal strike during the last two weeks. Nevertheless, we must emphasize the importance of reporting back after calls

have been made on the Treaties.

-- A vote on the Allen amendment will occur on Monday or Tuesday. Senator Byrd will move to table. He is now taking a whip count to assess our strength. The amendment originally was drafted to give the President a unilateral option of maintaining our bases after the year 2000 in perpetuity. Allen has now revised the amendment, giving the President an option of maintaining bases until 2019. Allen can now argue that his amendment, like the Treaties, contains a date certain for terminating our military presence.

-- We feel he has given us some additional ammunition, however. If military presence can be terminated in 2019, why can't it be terminated 19 years earlier? The revision exposes the real purpose of Allen's amendment -- to force another plebiscite in Panama.

-- We have met with Senator Byrd on a strategy for defeating the amendment. It will include a letter from Harold Brown, a meeting with our staff group on Monday morning, distribution of talking points and speeches against the amendment, calls to key Senators, and possible introduction of an understanding obligating the United States to begin negotiating an agreement for "military assistance" in 1995.

-- A copy of our current count is attached at the end of this report.

Middle East Arms: Congressional views are beginning to sharpen. Some of Israel's strongest friends have apparently reconciled themselves to a conditioned sale of F-5s to Egypt. In testimony before the House Committee on Friday, Morris Amitay of AIPAC signaled his retreat on the F-5s when he characterized his concern as exclusively a matter of timing. Opposition to the F-15s for Saudi Arabia, however, remains strong. A reaction is building against the package approach -- some Members are alarmed that the Administration seems to be tying Israel's security to the fate of the Arab requests.

-- Senator Church seems to be seeking a compromise on the F-15 sale. His proposal is not yet clear, but may include a reduction in numbers, a limitation on the air-to-ground gear that could be on the aircraft, and assurances on usage and withdrawal of American personnel in case of a war with Israel. It is also not yet clear whether Church is acting for himself or whether he senses a possible consensus within the Committee that compromise is the best course.

-- On the House Committee, Wyche Fowler apparently has decided to oppose the Arab sales, but Chuck Whalen (R-Ohio) has come out publicly in support of the Administration. Don Fraser and Gerry Studds, two key liberals, will remain uncommitted for now. John Cavanaugh, Don Pease, and Helen Meyner have found little support for their proposal that Members adopt an "all or nothing" approach. Others Members are taking an exceedingly cautious approach in public statements.

-- Chairman Zablocki wants his Committee to maintain a low profile and hopes the matter will be resolved in the Senate. This attitude could be troublesome as we proceed -- prospects seem much better in the House Committee -- and our

inability to get a vote there first will strengthen the hand of those pushing us toward compromise on the Senate side.

-- We will increase our efforts next week with my office taking a much more active role. We will be calling on Secretaries Brown and Vance and the Vice President in the coming weeks. We still recommend that you take a low-profile role for now.

Human Rights: The House adopted Tom Harkin's amendment to the Witteveen Facility bill by voice vote. The amendment requires the United States to oppose IMF transactions which contribute to the deprivation of basic human needs or to the violation of human rights. It also requires the United States to annually report to the Congress on the impact of IMF policies on the ability of the poor in borrowing countries to get food, clothing, public services, and productive employment.

-- Banking Committee staff believes that the amendment can be dropped in conference because of the strong final passage vote on the bill. (It passed 267-125, with Democrats supporting 202-57, and Republicans narrowly opposing 65-68. Arthur Burns and former Treasury officials helped considerably with the Republicans.) Subcommittee Chairman Steve Neal also believes that the amendment could either be dropped or "softened" in conference.

-- Harkin, on the other hand, expects the Administration to continue opposition to his amendment in the Senate and has indicated that he would work as hard as he can to defeat any conference report without it.

-- A Long Subcommittee session last week with Pat Derian began with the Chairman's statement that he was "baffled" by the Administration's human rights policy and ended with a statement by Obey warning that unless we make clear our policy rationale on human rights country-by-country, the foreign assistance bill is in real danger this year. The questioning in general took two lines: Long, Young, and Wilson (Tex.) attacked the Administration for apparent inconsistencies (e.g., Haiti vs. Nicaragua); while Obey and Conte sympathized with the need for administrative flexibility. All seemed to agree, however, that we had not been effective in getting our policy across to Members.

Uganda: Three HIRC Subcommittees completed hearings on U.S.-Uganda relations last week. While there is no clear consensus within the Committee on a course of action, Members indicated that they do not intend to let the matter fade away.

-- Among the options being discussed at the staff level are: a concurrent resolution calling on you to further dissociate the U.S. from Uganda, an amendment to the Export Administration Act to stop all U.S. exports to Uganda, and an amendment to the same Act which would give you discretionary authority to cut off these exports.

-- The Administration's free trade and effectiveness arguments against the Pease trade embargo bills (Ways and Means also has jurisdiction over these bills but has not yet scheduled hearings) have not swayed Members who see in Idi Amin a dictator from which the U.S. must dissociate itself on moral grounds.

3. ECONOMIC PACKAGE

Taxes: Treasury briefings for Members, staff, and outside groups continue. Hamilton and Landon are coordinating White House economic package briefings.

CETA: Congressional reception of the proposal was good. DOL will continue to closely monitor hearings.

Humphrey/Hawkins: The bill is still slated to be on the floor by March 8. Unions and interested groups are currently polling all House Members. House passage will not be easy. Advocates of the bill believe that inflation goal efforts by Republicans will be a politically attractive vote, but will make the bill meaningless if adopted. Many of the newer Members could see the bill as a "red herring" and could feel that it is one vote they can give to business opponents. We will be working with DOL on this bill.

4. HOSPITAL COST CONTAINMENT

-- HEW has decided that the legislative effort should be worked out by a veteran Hill staffer, Bill Fullerton, now working in the Department. Domestic Policy and White House Congressional Liaison staff will be helping with this effort, and we are optimistic that a bill embodying the three major approaches (Rostenkowski's, Talmadge's, and ours) can be pieced together. This is not a matter in which the Secretary should be directly involved in the Senate.

5. MIDDLE INCOME STUDENT ASSISTANCE/TUITION TAX CREDITS

-- The Senate Human Resources Committee reported out an assistance bill which would 1) provide a \$250 grant to all students from families with \$25,000 incomes; 2) increase College Work Study programs to \$600 million; and 3) remove family income from consideration in determining eligibility for Guaranteed Student Loan income subsidies. The House Education and Labor Committee will report out a similar bill, and it should pass the House within a week or two. You could have on your desk our version of the bill prior to floor action on a tax credit bill.

-- It is unclear if we can stop the tax credit bill in the Ways and Means Committee; the Finance Committee reported out its bill last week with Senator Bentsen casting the only vote against. The danger lies in a move to attach the tax credits to a "must sign" bill such as the debt limit legislation.

-- In several discussions with Senator Moynihan regarding the tuition tax credit issue, he has respectfully suggested that our opposition to granting relief to elementary and secondary parochial schools is politically disastrous, especially among Catholics. He is convinced that you have not been exposed to all valid political and constitutional arguments in favor of parochial school relief through tax credits.

6. EDUCATION DEPARTMENT

-- During the past two weeks, Bill Cable and reorganization project staff have met with Congressmen Brooks, Perkins, Brademas, Ford (D-Mich.), Blouin (D-Iowa), Miller (R-Ohio), Quie (R-Minn.), and Jeffords (R-Vt.) to determine if an Education Department could be enacted in 1978 and to discuss the program content of the department.

-- Although no one seemed very enthusiastic, the general reaction was that if this is a high priority of the Administration, if a specific proposal is developed soon, and if Senator Ribicoff moves a bill after his mid-March hearings, then there is a chance of House passage this year.

-- There also exists a general consensus that simply raising the Education Division in HEW to Cabinet-level status would be a mistake and that the department should be broadly based. Several Members stressed the importance of carefully orchestrating negotiations with the key interest groups (e.g., labor, child advocacy, Indians, nutrition) to avoid dividing Democratic constituencies over a controversial proposal in an election year. If this cannot be accomplished, Members have advised that it would be better to wait until 1979.

7. D.C. REPRESENTATION

-- The House will consider the bill on Wednesday and Thursday. As you know, the bill calls for amending the Constitution to provide for representation of the District of Columbia in Congress (2 Representatives and 2 Senators). The mood is good as a result of the strong Judiciary Committee vote; however, much work needs to be done to get the 2/3 vote required. We are working closely with the Vice President and his staff, and Congressmen Walter Fauntroy and Don Edwards. You and the Vice President may be asked to make some calls.

8. LOBBY REFORM

-- With the help of Chairman Rodino and George Danielson (D-Calif.), a bill that appears acceptable to the House was reported out of Committee last week. Prospects for passage in the House look better.

9. AIRLINE REGULATORY REFORM

-- Problems with the airline noise bill are complicating consideration of airline regulatory reform in Chairman Glenn Anderson's subcommittee. Anderson has requested a meeting with you before his March 8 markup.

10. POTHOLE BILL

-- DOT reports that the Senate situation is uncertain. Senator Huddleston has introduced a bill identical to the House bill, but it is not clear if the Public Works Committee will act. Senator Bentsen is opposed to any such legislation and has said that his Subcommittee will not hold hearings unless he is pressured by other Committee members. Senator Randolph, the full Committee Chairman, has not yet taken a position. The Committee may ultimately decide to consider the issue within the context of the major highway bill.

*Let's
block
it*

-- OMB will help us oppose the bill in the Senate. Unfortunately, Senator Robert Byrd has signed on as a cosponsor of the legislation.

11. NOMINATIONS

Miller: The key question on the timing of the Miller nomination is whether or not the Committee will insist on waiting until the Iranians have given testimony before voting. As you may know, the Committee sent a letter through the State Department to three Iranian nationals who were once associated with Air Taxi, Bell Helicopters' agent in Iran. The letter asks the Iranians to voluntarily testify about Bell's knowledge of Air Taxi's ownership by General Khatami, the head of Iran's Air Force. State believes that the Iranians will refuse to testify in person. One is related to the Shah by marriage. As an alternative, the Committee could send investigators to Iran to take the testimony.

-- The Committee meets this Monday and Tuesday to take additional testimony from Miller and Bell officials. Our strategy is to urge the Committee to drop the inquiry of Iranian nationals altogether and vote on the nomination. The Vice President, my staff, and I have been urging our friends on the Committee to attend the Monday and Tuesday sessions. Many of them (Senators Sarbanes, Cranston, and Sparkman) are heavily involved with Panama but will try to break away from their duties on the floor. Senator Riegle has promised to take an active role. *good*

Civiletti: The Judiciary Committee's daily hearings on Ben Civiletti's nomination to be Deputy Attorney General will continue for probably two more weeks due to Republican desires to drag out the public inquiry into the so-called Marston affair, as well as other matters in which the Justice Department is involved (Helms' plea bargaining, Korea investigation, etc.). Civiletti has been a competent witness on behalf of himself and the Justice Department, although displaying, at times, a combative nature when Senators press him hard. The Republicans hope to drag you and the White House staff directly into the fray but have been unsuccessful in their efforts thusfar.

12. MISCELLANEOUS

-- Our coordinated action on the B-1 bomber vote was very successful. John Brademas said that it was the most heartening thing he has seen. Your calls, particularly to Chairman Price, had a significant impact. Mention of the fine team work at the Cabinet meeting would be helpful. Secretary Brown and General Jones should get special thanks for their maximum effort. Secretary Vance responded to Rep. Railsback's (R-Ill) concern about the B-1 bomber/SALT relationship by giving him a call. Although Railsback did not vote with us, the news of the prompt cooperative effort spread quickly on the House floor (and to the media) with extremely positive reactions from our supporters and cries of foul from our opposition.

-- A large signing ceremony for the Black Lung Benefits bill will provide a good public event for you and the Congressional leaders to urge ratification of the coal agreement by the mine workers.

-- The Senate Finance Committee staff strongly recommends that we not reopen the social security financing issue this year. They fear that attempts to mitigate the effects of the bill on American workers could give rise to politically popular but undesirable and costly programmatic changes (e.g., social security benefit increases, extended Medicare coverage, etc.). Organized labor efforts to orchestrate taking \$5 BILLION of the tax cuts for reductions in social security taxes are beginning to have impact on Members.

-- We have received reports that a USDA official has been working the Hill in opposition to any transfer of child nutrition programs from Agriculture to a new Education Department. This activity, coupled with Secretary Califano's testimony before the Labor/HEW Appropriations Subcommittee, is already having a negative effect. You may want to raise this at the Cabinet meeting so that we do not have dissension in the ranks before we even send the proposal to the Hill.

-- The bill signing ceremony for the Endangered American Wilderness Act took only about seven minutes of your time and was greatly appreciated by Jackson, Church, Udall, and other western Members.

-- USDA advises that Senator Church has indicated that he does not intend to move forward on the International Sugar Agreement until in his Foreign Relations Subcommittee until he has Administration assurances that a domestic fall-back program is in the works. Sugar lobbyists are using this "hostage" threat to pressure for new legislation.

-- State transmitted the Administration's SALT studies on compliance and verification to the Hill last week. Paul Warnke will testify before the SFRC on Wednesday.

-- Markup in Rep. Flowers' Fossil and Nuclear Energy Research Subcommittee on the DOE Authorization bill will continue next week. Talk on the Hill is that Reps. Marilyn Lloyd, Flowers, and McCormack will attempt a full funding amendment for the Clinch River Breeder Reactor. The issue will be very tough again this year.

FLOOR ACTIVITIES, WEEK OF FEBRUARY 27

House

Monday -- 2 D.C. bills (both are concurrent resolutions and do not require your approval):

- 1) Home Rule Charter Amendments for Initiative and Referendum. Not controversial.
- 2) Home Rule Charter Amendment for Recall of Elected Officials. Not controversial.

Tuesday -- 4 suspensions:

- 1) Abolish Diversity of Citizenship Jurisdiction in Federal Courts. According to OMB, the Administration supports passage of the bill in the House. Justice will recommend to the Senate that the bill be amended to reflect the Administration's proposal that only plaintiffs in diversity cases be precluded from bringing suit in federal district courts in their states.

- 2) Ocean Pollution Research. This Senate bill, sponsored by Majority Leader Byrd and Senator Magnuson, establishes a comprehensive federal plan for environmental research and development on pollution of the marine environment. OMB reports that while the Administration supports the objectives of the bill, it is opposed because: 1) a reorganization project initiative, currently underway, is more comprehensive; and 2) the definition of "marine environment" is overly broad and could result in conflicts with existing and pending legislation (for example, the outer continental shelf and deep seabed mining bills).
- 3) Reduce Excise Tax Rate on Investment Income of Private Foundations. The Administration supports the bill.
- 4) Indian Tribal Government Tax Status Act. The bill provides the same tax treatment for recognized Indian tribes as are applied to state and local governments. The Administration does not object to it.

-- American Folklife Preservation Act. Rescheduled.

Wednesday -- D.C. Representation (vote on rule and general debate only).

Thursday -- D.C. Representation (votes on amendments and final passage).

-- Deep Seabed Hard Minerals Act (subject to a rule being granted). The bill would provide the regulatory framework for deep seabed exploration and mining by U.S. companies. Chairmen of the House Committees on Merchant Marine (Murphy), Interior (Udall), and International Relations (Zablocki) -- all having jurisdiction over the issue -- have agreed to delete all tax references in this Merchant Marine Committee bill in order to bypass the Ways and Means Committee. This bill contains investment guarantees against financial losses for U.S. companies resulting from adoption of an international agreement. Ambassador Richardson's staff (Law of the Sea Conference) advises that they want the bill to move in the House at this time for tactical reasons.

Friday -- 11 Committee funding resolutions.

-- First Budget Rescission. The bill involves a total of \$55.3 million allocated among foreign military assistance, U.S. contributions for U.N. peacekeeping activities, and funding for the Federal Home Loan Bank building. The Administration supports the legislation.

-- Emergency Southwest Power Appropriation. The legislation provides funds for the Southwestern Power Administration to purchase power in order to meet contractual obligations. The Administration supports the bill.

Senate

-- The Senate will continue action on the Panama Canal Treaties.

THE WHITE HOUSE

WASHINGTON

February 27, 1978

The Vice President
Hamilton Jordan
Stu Eizenstat
Jody Powell
Bob Lipshutz
Frank Moore
Hugh Carter
Midge Costanza

Re: Cabinet Summaries

The attached were returned in the President's outbox today and are forwarded to you for your personal information.

Rick Hutcheson

EYES ONLY

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson February 24, 1978

RE: Summaries for the Week of
February 20 - 24, 1978

I am attaching the weekly summaries.

CC: The Vice President

THE WHITE HOUSE
WASHINGTON

February 27, 1978

Secretary Bergland

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hitchenson

RE: EXPORTS - PL 480 AID TO
EGYPT



THE PRESIDENT HAS SEEN.
DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

Bob

C

February 24, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

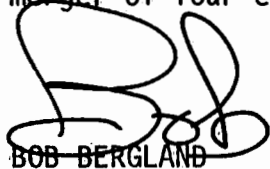
EXPORTS. Estimates for FY 1978 indicate a record 110 million tons of agricultural exports, up from 102 tons. Dollar value will depend largely on U.S. grower participation in the reserve and set-aside program. (Unscientific guesses based on reactions gained during my trip this week indicate a higher participation than we originally expected.)

Shipping delays at Gulf ports -- because of weather and elevator explosions -- have ranged from four to 25 days. Next week a delegation from the USSR is expected to meet with exporting companies to discuss the delays.

EGYPT. Receiving questions from several members of Congress concerning a possible increase in PL 480 aid to Egypt. USDA experts in Washington and Egypt confirm that they need additional PL 480 wheat to meet their immediate food needs and that port facilities would be available to handle it. Has there been any discussion or decision on this matter?

Not
approved
to date

RESEARCH. We are trying to hire Dr. Bill Flatt, University of Georgia, to head up the new USDA Science and Education Administration (the merger of four education and research agencies).


BOB BERGLAND

THE WHITE HOUSE
WASHINGTON

February 27, 1978

Secretary Adams

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

RE: JAPANESE AIRPORT CHARGES
RAIL TRANSIT POLICY
ENVIRONMENTAL REVIEW
PROCEDURES



THE PRESIDENT HAS SEEN.

THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

February 24, 1978

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MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues Pending at the Department of
Transportation

Brock Adams

Air Traffic Controllers Labor Agreement - We have obtained a labor contract with the Professional Air Traffic Controllers labor union (PATCO), which represents nearly 15,000 DOT employees. They ratified their new contract on February 18 by a 65 percent majority. This agreement is the first three-year work contract ever concluded between these parties and will be in effect until March, 1981. Thus, air traffic slowdowns caused by labor grievances should be avoided through this period.

International Maritime Agreements - Deputy Secretary Alan Butchman headed the U.S. delegation to the International Conference on Tanker Safety and Pollution Prevention held in London, February 6-17, 1978, which was convened as a result of your March 17, 1977, oil pollution initiatives following the Argo Merchant spill. I am pleased to report that the Conference adopted the U.S. proposed requirements, or their equivalents, for oil tankers. Protective location of segregated ballast tanks was adopted as an equivalent to double bottoms in new tankers and crude oil washing with stringent guidelines was accepted as an equivalent to segregated ballast tanks in existing tankers. Except for some tonnage thresholds, all other U.S. proposals were adopted or exceeded. For tonnage ranges not covered by the new standards, the strict Coast Guard boarding program operated by this Department should assure a high degree of safety and pollution prevention. We will now move on the proposed rulemaking treaty ratification and the oil spill legislation.

Japanese Airport Charges - I have found that certain Japanese airport charges violate the standards of the International Air Transportation Fair Competitive Practices Act by unreasonably exceeding comparable U.S. charges or by being otherwise discriminatory. The Japanese charges found to be in violation of the statute are those to be applicable at the new Tokyo International Airport at Narita, which all U.S. commercial aircraft would be required to use and which is scheduled to open April 1. The total charge for landing a Boeing 747 at Narita will be twice that charged at Kennedy International, which is the most expensive U.S. airport. The consultations with the Japanese required by the statute are being held this week in an attempt to reduce the charges before international services are transferred to Narita.

Be firm

If consultations do not reduce the charges, we would have the authority to impose compensatory charges for Japanese aircraft landing in the U.S.

Rail Transit Policy - On March 2 the Department will issue a Statement of Policy on Rail Transit which has been cleared through OMB and the Domestic Council. This is a formal statement of the Department's position on an issue which has been controversial since rail transit has been both condemned as a costly "luxury" and praised as an indispensable element in the efforts to revitalize urban areas and conserve energy. The Departmental Policy Statement aims to strike a balance between these two extreme positions.

Stick
with
this

The Federal Government will continue to finance new rail facilities in those urban corridors whose population densities, travel volumes, and growth patterns indicate a need for high-capacity transit service, but states firmly that the number of such corridors is limited.

Localities proposing to build rail transit with Federal assistance will be required to commit themselves to actions designed to assure the rail project's cost effectiveness, patronage, and prospect for economic viability.

The Department will also increase its role in monitoring projects during the planning and design stages in order to prevent overdesign, the introduction of unnecessary buildings, and the use of untested technologies which might adversely affect system performance and future operating and maintenance costs.

The publication of the Policy Statement should clarify the Administration's policy toward rail transit that future development of this mode will be made in an orderly and prudent manner.

Environmental Review Procedures - I have just reviewed the Council on Environmental Quality's (CEQ) proposed regulations to implement the National Environmental Policy Act.

✓ On Wednesday, I informed Charles Warren I believe the proposals are unreasonable and will only result in a new round of environmental litigation and impose new red tape and bureaucratic burdens. We are only now beginning to move projects that have been in litigation for many years and these new definitions and changes will start the whole process again. This is not the kind of one-stop determination I believe this Administration is seeking and I have recommended to Charles Warren that his office simplify what we have and not start a whole new regulatory system.

Airline Regulatory Reform - The Regulatory Reform bill is moving on schedule. The House will begin mark-up on their version on March 1. The Aircraft Noise bill, also pending in the House, continues to be the subject of discussions between your staff, Treasury, OMB, and my staff. You should be aware that Subcommittee Chairman Glenn Anderson considers these two proposals as a package and is prepared to hold up final action on the Reform legislation until he gets a satisfactory Noise bill.

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

February 24, 1978

REPORT TO THE PRESIDENT

"FYI"


The Nation's annual productivity growth rates, in terms of output per unit of input, appear to have been significantly reduced in recent years because of the impact of pollution abatement, employee safety programs, and crime. In a recent study published by the Department, it is estimated that in 1975 the reduction was about one-fourth of the 1948-1969 average growth rate. While the related environmental and health benefits are certainly of great value, the study reemphasizes the magnitude of the trade-offs involved in this area and the critical importance of regulatory reform initiatives now underway.

An Energy Impact Assistance Presidential Decision Memorandum is being prepared at the request of the Domestic Policy Staff by this Department and the Departments of Energy and Interior. It will address Federal policy options relating to States and localities impacted by rapid growth resulting from major energy development efforts.

Draft guidelines on the steel loan guarantee program were presented to representatives of the financial community this week by the Economic Development Administration (EDA). There is strong industry interest in the program and the response to the draft guidelines has been quite favorable. We anticipate a heavy demand for the \$500 million in loans currently authorized by this program.

The City of Chicago and its Economic Development Commission have developed a long-range investment strategy which is highlighted by a commitment by six major Chicago banks to provide \$250 million to an industrial development fund. These monies would be combined with other private and public sector funds, to include \$15 million from EDA, to create a positive climate for business retention and expansion in four targeted areas of the City.

A noteworthy example of the savings which can result from full and open competition was demonstrated last week by a Departmental contract award for a computer system. The successful bid price of \$1.1 million represented a savings of over 63% when compared to applicable pricing schedules of the General Services Administration.


Juanita M. Kreps



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

F.Y.I.

February 24, 1978

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MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

The EPG Steering Committee met with Secretary Califano this week and set up a task force to examine options for meeting growing Congressional discontent with last year's Social Security legislation. There is a risk that members may rush through some form of payroll tax cut or income tax offset for payroll taxes. This would wreak havoc with our own tax program. We will have recommendations to you shortly.

The Steering Committee continues planning for the initial stages of the anti-inflation program, which will need your strong public support.

The dollar is up sharply today after depreciating in terms of nearly all major foreign currencies earlier this week. Rates, however, remain very volatile. News about the coal strike continues to have a significant effect on the foreign exchange markets. Through Thursday we had sold \$175 million worth of foreign currencies, bringing the total over the past two weeks to \$575 million.

I have conducted a series of meetings this week with House and Senate members to discuss IFIs, Witteveen, New York City and the FY 1979 Treasury budget, on all of which I testify next week. The House on Thursday approved the Witteveen Facility 267 to 125. The human rights amendment was adopted from the Floor by voice vote.

Early this week, the Supreme Court agreed to review the Court of Customs and Patent Appeals (CCPA) decision in Zenith Radio Corporation v. United States. Zenith contends that the rebate of the Japanese commodity tax is a bounty or grant under the U.S. countervailing duty law. The CCPA had upheld Treasury's 80-year practice of not countervailing against such rebates. The Supreme Court will rule in June.

Reversal of the CCPA decision would have a major disruptive effect upon trade, would violate our obligations under GATT, would have a major, negative impact upon the MTN and likely provoke massive retaliation against U.S. exports.

We are working with other concerned agencies on contingency plans.

Treasury testified Thursday before the Ways and Means Committee regarding the Administration's position on Sections 911 and 912. The Administration's proposal on Section 911 seemed to be received favorably; there were reservations about our failure to advocate changes in Section 912.



W. Michael Blumenthal



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

February 24, 1978

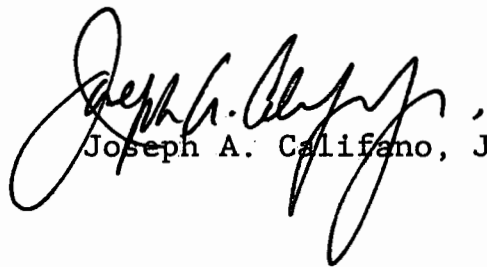
MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

The following is my weekly report on significant activities in the Department of Health, Education, and Welfare:

- Elementary and Secondary Education. I hope you will make the public announcement Tuesday when your message on elementary and secondary education is sent to the Congress. This event provides you an opportunity to put your personal stamp on the thrust towards basic skills and educational quality that underlies the reauthorization legislation. All signs indicate the legislation will be popular with most of the affected parties.
- Testing Conference. The HEW conference on basic skills and competency testing, which is the result of your initiative, will convene on Wednesday night and run through Friday. We expect over 300 people, including the Chief State School Officers, teachers, parents, state legislators, minority group representatives, and educational researchers. After this conference, we will step up our activities to assist and encourage State and local officials to develop testing programs.
- Social Security. As you know, the Vice President, Mike Blumenthal, Jim McIntyre, Stu Eizenstat, Charlie Schultze, Hale Champion and I met to discuss contingency planning in the event Congressional pressure to alter the Social Security financing legislation become irresistible. We are presently conducting a careful analysis of the Hill in an attempt to ascertain the likely direction in which this issue will move. On Sunday, I am appointing the new Social Security Advisory Council -- as a forum for debate about future directions for Social Security, the Council could relieve some of the Congressional pressure.
- Tuition Tax Credit. As you suggested, I both held a press conference and appeared on a morning news show (A.M. America) to argue against the tax credit. We are going to have a difficult time winning this issue in Ways and Means and keeping this issue off the House Floor. It may be advisable for you to make it clear that you will veto such legislation if it comes up on top of the additional funds we requested for higher education for assistance to middle class families.

- Child Support Enforcement Conference. On Wednesday, March 1, HEW will sponsor the first national conference on the Child Support Enforcement Program. We expect 300-400, including governors' representatives, human resources directors, attorneys general, and county executives. We will focus on ways to upgrade the administration of the program in the states, and to improve federal-state coordination. Senator Long, who will be the keynote speaker, proposed this successful program and has closely monitored its implementation.
- Military Match. On Wednesday I announced the preliminary results of computer matching of more than 2 million uniformed military personnel on active duty against the AFDC rolls of 24 States and the District of Columbia (covering 78 percent of the AFDC population). There were 7,074 raw matches, which will now be examined to determine the eligibility of these individuals for welfare payments. The civilian employee segment of Project Match is progressing on schedule: 955 cases have been turned over to the District of Columbia for eligibility review, and 5,100 cases will be forwarded to States for such review in the near future.
- Campaign Trip. On Sunday I will attend a fundraiser for, and make other appearances with, Congressman David Obey of Wisconsin, returning on Monday after a visit to the Chicago regional office. Hale Champion will attend the Cabinet meeting.


Joseph A. Califano, Jr.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

February 24, 1978

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MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Departmental Activities

New Rules for Block Grant Use. Final regulations that will be published on Wednesday will target HUD's community development block grant funds principally to low and moderate income persons. The Department will monitor communities' performance to ensure that they carry out the intent of the statute with respect to low and moderate income persons, elimination of slums and blight, and other urgent needs.

Greenwich, Connecticut Agrees to Subsidized Housing. HUD has approved Greenwich's \$732,000 block grant application for FY 1978. The town has in the past refused to comply with statutory Housing Assistance Plan requirements, but has now presented an acceptable housing assistance plan and has demonstrated a positive commitment to fair housing and equal employment opportunities. HUD's action followed a turn-down of a grant application in 1976 and a vote by the citizens not to apply for funds in 1977.

HUD/EDA Continue Coordination. At last week's monthly economic development meeting, HUD and EDA agreed to exchange information on Action Grant and EDA project applications to provide better funding coordination and eliminate overlap. Details have been provided to Jack Watson in a joint memorandum.

HUD Corrects Rockdale Deficiencies. Details of the strong corrective action instituted by HUD to prevent a recurrence of failures that led to demolition in 1976 of the Rockdale housing project built in Atlanta in 1972 were spelled out by Under Secretary Janis before a subcommittee of the House Committee on Banking, Finance and Urban Affairs.

The Department now requires annual project management review, enforcement of site selection policies, revised accountability procedures, and improved internal audits and controls to reveal mismanagement or fraud at an early stage of production.

Minority Business Participation. A final tally for FY 1977 shows that HUD minority business participation and assistance totaled \$219.7 million, exceeding the goal of \$164.7 million.

Flood Watch. The Federal Disaster Assistance Administration in coordination with the Army Corps of Engineers is monitoring the abnormally thick snowpack in the eastern states. Beginning today we will receive reports from the field on flood potential every two weeks, or more often if conditions warrant.

Pat

Patricia Roberts Harris

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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February 24, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

Subject: CEA Weekly Report

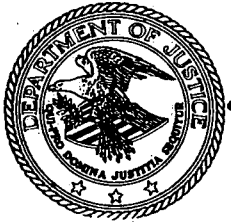
Coal Strike. CEA is continuing to monitor developments in the coal strike and to reassess the estimates of the economic impact from power curtailments.

Regulatory Analysis. The second meeting of the Regulatory Analysis Review Group was held this week. This program is now fully in operation. To date, the group has not voted to review the economic analysis of any regulation proposed for review. However, discussions with other agencies as a result of the program have been productive. We have encouraged agencies to take the analysis requirement seriously. One by-product of the RA group sessions thus far has been the opening of inter-agency discussions on the economic factors involved in assessing health and safety risks. Brock Adams and the DOT staff also have been extremely cooperative in the development of fuel economy standards for light trucks.

Social Security Taxes. I have been discussing with leading members of Congress the implications of efforts by some Senators and Representatives to reopen the question of Social Security financing, as I discussed with you this morning. CEA's staff will continue next week to assess the situation in cooperation with HEW, DPS, Treasury and OMB.

National Health Insurance. CEA is participating fully in the development of a national health insurance proposal. We will provide to HEW responses to some initial questions they have asked us to consider, and we will be working closely with the interagency group to prepare the first round of options papers for consideration.

Economic Policy Committee. I will be in Paris from Sunday through Wednesday of next week attending a meeting of the Economic Policy Committee of the OECD. I will be elected Chairman of the Committee at this meeting. I will return on Thursday and give you a report on the sessions at our regular meeting next week.



Office of the Attorney General
Washington, D. C. 20530

February 24, 1978

Re: Principal Activities of the Department of
Justice for the Week of February 20 through 24

1. Meetings and Events:

The Attorney General introduced Benjamin Civiletti at his confirmation hearing before the Senate Judiciary Committee. The Attorney General met with Jay Solomon of GSA; former Attorney General Elliot Richardson; and Tom Farmer of the Intelligence Oversight Board. He presided at the swearing-in of William H. Webster as Director of the FBI.

2. Mitchell Meeting:

The Attorney General met with Clarence Mitchell of the NAACP to ensure that he would give his personal attention to the question of the constitutionality of the Biden-Eagleton-Byrd amendment to cut-off HEW funding for school busing.

3. Federal Tort Claims Act Amendment:

The Attorney General testified before a Subcommittee of the House Judiciary Committee in support of an amendment to the FTCA which would protect FBI agents and other federal employees by allowing the federal government to be substituted as the defendant in suits brought for torts committed by Federal employees in the performance of their duties.

4. Wiretap Bill:

The Attorney General's office has negotiated with the Senate Intelligence Committee on behalf of the intelligence community to prepare for the mark-up of the Foreign Intelligence Surveillance Act. The Attorney General and the FBI have worked with Chairman Bayh to arrive at a criminal standard amendment which the Administration will not oppose, assuming there are no other major changes in the bill which are unacceptable to the Administration.

5. Minority Employment:

During 1977 minority employment in the Bureau of Prisons increased from 17.3 per cent to 19.6 per cent. This was because 29 per cent of all new employees hired during 1977 were minorities. Emphasis has also been placed upon minority training opportunities and career promotions, e.g., in 1977 more than a third of those promoted to middle and upper level positions were minorities.

Active recruitment of minority staff began after the Attica State Prison riot 1971. At that time, while one third of federal inmates were minorities, only 6.6 per cent of prison staff were minorities. Because of the Bureau's recruitment program, minority staff representation has increased to 19.6 per cent today.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

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February 24, 1978

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss

Subject: Weekly Summary

R.S.

I met with members of the House Trade Committee chaired by Vanik with respect to the fastener case. They were committed to voting out an override resolution that had been introduced by Vanik. The Committee will probably come out against the resolution, as a result of the meeting where we got bipartisan support. I would not like to face an override vote in this climate and I am spending whatever extra time I have on that problem.

My private meeting with the Danes went very well and we seemed to have their firm commitment for constructive leadership while they are in the Chair through June. The time the Prime Minister spent with you and my agreement to go to Denmark when I am in Geneva next month were both helpful in encouraging them to be a bit more "courageous."

This is being dictated while sweating the coal decision -- while I have great confidence in the result, please use wood in the fireplace over the weekend.



Administrator

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February 24, 1978

MEMORANDUM FOR THE PRESIDENT

THRU: Rick Hutcheson

SUBJECT: Weekly Report of GSA Activities

Orlando Dedication

With able assistance from the First Lady, a \$30,000 water sculpture by Geoffrey Naylor was dedicated in front of the Federal building in Orlando last Saturday. I applauded the Carter administration for its interest in and support of GSA's art-in-architecture program. I spoke of the urban revitalization program emerging across the nation and the important role public art and living buildings will play in this program.

A handwritten signature in dark ink, appearing to read 'Jay Solomon', is written over the typed name and title.
JAY SOLOMON
Administrator



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Q
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OFFICE OF THE ADMINISTRATOR

February 24, 1978

MEMORANDUM FOR: THE PRESIDENT
THE WHITE HOUSE

WOMEN'S BUSINESS OWNERSHIP PROGRAM: SBA made a total of \$91.2 million in business loans to women during the 1st quarter of Fiscal Year 1978. Women's Business Ownership Program -- announced at the White House in September -- is gaining momentum. To date over 139 women-in-business meetings have been held throughout the Nation attended by 14,000 women.

MEDIA LOANS/CHANGE IN POLICY: Since SBA announced a major change in its loan policy for media enterprises in January, opening up its loan programs to small radio and television broadcasters and Cable TV operators, there have been more than 50 inquiries. It is expected that the major effect of the program will be to assist members of minority groups in acquiring broadcast facilities. SBA is working with the FCC and the White House Office of Telecommunications on this program.

PILOT NEIGHBORHOOD REVITALIZATION PROJECT: SBA's pilot Neighborhood Business Revitalization Program is now active in 25 cities throughout the country and seminars to train SBA employees in this emphasis program are being held. This program involves the focusing of SBA resources on declining but viable neighborhoods in cooperation with HUD, EDA and other agencies. SBA's role is to assist in strengthening the business and industrial base. From October 1, 1977, through January 31, 1978, a total of 103 loans have been approved in this program for \$9,765,890, including \$4,269,330 for members of minority groups.

A. Vernon Weaver

A. Vernon Weaver
Administrator



Community Services Administration WASHINGTON, D.C. 20506



MEMORANDUM TO THE PRESIDENT

February 24, 1978

Attention: Rick Hutcheson, Staff Secretary

FROM: Grace Olivarez 
Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency Activities
(February 20 - February 24, 1978)

Economic Development Program in the South Bronx

CSA's Office of Economic Development, working in close cooperation with South Bronx Steering Group, has agreed to help identify viable community based organizations to work with city, state, and federal officials in the economic revitalization of the area. Additionally, CSA's Title VII funded community development corporations in New York City have offered their expertise and experience in the areas of management and technical assistance to the South Bronx Community groups to insure the success of the project and the permanency of the economic and community improvements.

Emergency Energy Program

CSA and DOE staffs have been cooperating in the preparation of Emergency Energy Regulations, the final drafts of which were completed this week. Program will provide \$200 million to assist low income citizens who are unable to pay fuel bills. The Director of CSA and the Secretary of the Department of Energy have scheduled a meeting to review the proposed regulations and other areas of cooperation in the implementation of this program.

Crisis Intervention Program

Final plans for programming \$42 million of energy funds into the Crisis Intervention Program were approved this week. The funds will be released to CSA Regional Offices within the next ten days. The Crisis Intervention Program provides for immediate needs of the poor where life and health are endangered by cold weather or shortage of energy.



United States
Environmental Protection Agency
Washington, D.C. 20460

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The Administrator

February 24, 1978

WEEKLY REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

Last Thursday, February 23, as required by the new Clean Air Act Amendments, EPA published a list of all areas in the country where air pollution levels exceed national standards set to protect public health and welfare. Of the 105 major urban areas containing the majority of the country's population, in only one (Honolulu) are all standards being met. In the remainder, one or more standards are being violated.

This news has already generated a wave of media coverage; a number of public officials (governors, mayors, legislators) are expressing their concern, as are others--especially businessmen worried about promoting development.

During the rest of this year, we will be working closely with the states--to which the Act gives primary responsibility for achieving the standards--to develop the plans and methods needed to meet the new deadlines established in last year's amendments.

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Pres. Carter to Sec. of Treasury, et al, 11 pp., re:Oil import assessment	2/27/78	A
Cabinet summaries	Andrew Young to Pres. Carter, 1 pg., re:UN activities	2/24/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 2/27/78 [2] Box 74

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

RL

February 24, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *fw*
Gus Speth

SUBJECT: CEQ Weekly Status Report

This week has been busy and productive, but involving nothing to warrant your attention.



NEWS RELEASE

OFFICE OF ASSISTANT SECRETARY OF DEFENSE (PUBLIC AFFAIRS)

WASHINGTON, D.C. - 20301

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REMARKS PREPARED FOR DELIVERY BY
THE HONORABLE HAROLD BROWN
SECRETARY OF DEFENSE
TO THE LOS ANGELES WORLD AFFAIRS COUNCIL
BEVERLY WILSHIRE HOTEL, LOS ANGELES, CALIFORNIA
MONDAY, FEBRUARY 20, 1978

I am pleased to be back in Southern California and to appear before you tonight. Because of California's particular interest in Asia and the Pacific, I have chosen this opportunity to speak to you about our national security policy with particular emphasis on East Asia. I also do so because I believe this aspect of our defense posture has not received the public attention it deserves.

I have just returned from several days visiting the Pacific Fleet and reviewing our defense posture in the Pacific and East Asia with our senior military commanders there. Like them, I am concerned with what can only be termed a misconception about our policy -- that is the belief, expressed sometimes at home and sometimes abroad, that the United States is withdrawing from Asia.

That perception is, quite simply, wrong. We are and will remain a major force in the Pacific. It cannot be otherwise. We were involved in Asia even when, two hundred years ago, this West Coast of North America was Spanish, British, and Russian. We continue to have deep and extensive political, economic, security, and cultural ties with Asia.

-- Geographically, our territory in the Aleutians, Hawaii, and Guam is in the heart of the Pacific. Many of our peoples come from Asia.

-- Economically, our Asian trade grows by leaps and bounds. Last year it reached \$60 billion. Japan, the third largest economy in the world, is the major element in that trade. Keeping Japan a stable political and economic part of the coalition that so much sustains what order and progress the world now offers is a very high priority in U.S. policy.

-- Politically, many of our staunchest allies are in the Pacific Basin and we have solemn commitments to help them maintain their security. Moreover, what happens in Asia greatly influences our relations with the Soviet Union.

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Clearly our defense posture in Asia must be based on protecting these interests and those of our friends and allies and on helping preserve peace and stability. Our military forces in Asia make a vital contribution to these ends.

Equally important, however, is the fact that our Asian defense policy is part of our global policy. We cannot be strong in Europe and weak in Asia. Indeed, our strength in Asia supports our strength in Europe, and vice versa. They are two sides of a coin. We are a global power faced with a global challenge. We must be prepared to meet that challenge in Asia just as we are prepared to meet it elsewhere.

Why then do others question our intentions in Asia? There would appear to be two reasons:

-- First, public attention during the past year has focused on the more newsworthy aspects of President Carter's defense and foreign policy -- the strategic balance, the B-1, cruise missiles, NATO, and the Middle East.

-- Second, the part of our Asian defense posture that has received the most attention has been our plan to withdraw our ground combat forces from Korea. What we are doing to maintain and strengthen our already powerful forces in the region has received less emphasis in the news.

Let me discuss those two points in greater detail.

First, why has so much attention been focused on non-Asian aspects of our defense posture? In part because that posture has many aspects.

The Soviet Union is, of course, our most difficult national security problem. It has steadily expanded its capability to project power worldwide, and it has increasingly involved itself militarily or through military proxies in the developing world. Its nuclear weapons pose the only direct threat to our national survival. The Soviets have steadily improved their nuclear forces and are currently deploying their fourth generation of ICBMs -- the SS-17, SS-18, and SS-19 -- at a rate of approximately 135 a year.

At the present time, there is a rough strategic balance, what we call essential equivalence -- Neither nation enjoys a military or political advantage over the other from its strategic forces. Since we cannot be sure of Soviet intentions, our immediate concern is to ensure that this balance remains stable, that our capabilities are neither actually inferior nor seen as inferior. To this end we plan to continue the development of cruise missiles as a part of our air-breathing strategic forces; we will soon begin deploying the TRIDENT missile; and we will increase the rate of development of the mobile missile.

We also are trying to preserve and strengthen the present balance and to curb arms competition through arms control negotiations. I believe we are making progress towards that goal in SALT. Given the fundamental

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importance of the strategic balance, the emphasis we have placed on it and related issues can hardly be termed "misplaced."

Similarly, our attention this past year has focused on Europe. This is also appropriate, for Europe is where the Soviet conventional threat is greatest. It is where the growth of Soviet conventional capabilities in recent years has created the most disturbing threat to the NATO-Warsaw Pact balance. Moreover, it is the area where the United States itself had to draw down its contribution during the decade of our involvement in Southeast Asia. In response to the Soviet threat the U.S. and its allies have had to take immediate steps to strengthen our forces in NATO. Specifically, we have pledged to increase our real defense spending by three percent. But such an emphasis on NATO is not at the expense of our other commitments and programs. We are enlarging our military capabilities in Europe, not degrading our strength elsewhere.

Finally, the Middle East and the Persian Gulf pose great challenges for U.S. policy. The stakes here are very high. For many years this has been a highly volatile region -- and the constant meetings of heads of State and foreign ministers have rightly served to focus public attention on this area.

Because the area is the world's greatest source of oil, the security of the Middle East and the Persian Gulf cannot be separated from our security and that of NATO and our allies in Asia. Japan, for example, imports 80 percent of her oil from this area. We intend to safeguard the production of oil and its transportation to consumer nations without interference by hostile powers. We also are committed to help find a just peace in the Middle East with adequate security for Israel.

These issues are important. But, at least as far as this Administration is concerned, the attention we have given to the strategic balance, to NATO and to the Middle East has not been at the expense of our posture in Asia.

This brings me back to my second point -- Why, when our Asian defense posture has been in the news, has there been so much public attention to our plans to withdraw our ground combat forces from Korea -- not on what else is happening in the region and what else we are doing?

Again -- the answer should be obvious -- the planned withdrawal of ground troops is "new," whereas constance of commitment is not.

Moreover, we are removing from the center stage one element that has been prominent for some twenty-five years. Such a change quite understandably can produce anxiety in the area.

Let me assure you that our withdrawal program has been thoroughly worked out in both Washington and with the Koreans. It is the continuation of a process begun in 1970 when we withdrew one of our two divisions in Korea. It has the support of the Joint Chiefs of Staff and our commanders in the field.

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We can plan on withdrawing our ground combat forces because we believe that the environment on the Korean peninsula has changed to the point that it is no longer necessary for the United States to maintain its ground forces in Korea indefinitely. South Korea has been transformed into a modern state of impressive military and economic dimensions. North Korea also has developed impressive military capabilities, but the South is far more dynamic and its economic superiority is increasing. In the past decade South Korea has clearly surpassed North Korea economically -- in raising labor productivity, absorbing modern technology and building international financial strength. South Korea's GNP tripled in the past decade and grew at a rate 50 percent greater than that of the North; its per capita income has now surpassed the North's. The South has developed the basic industries -- steel, shipbuilding, electronics, petrochemicals -- essential to the support of a modern military establishment. Its credit rating is not in doubt. It enjoys much greater access than the North to advanced technology. All this is a testament to the vigor, enterprise, and determination of the Korean people.

Not only have the South Koreans performed prodigious economic feats, they also have shown a relentless dedication to preserving their independence and military security. This is clearly evident to anyone who visits South Korea. The share of resources devoted to national defense has risen from some four percent in the early seventies to almost seven percent in 1977, a considerably greater percentage than we or our European allies spend. In absolute terms the Republic of Korea devoted about \$2 billion to defense in 1977 -- six times more than they spent in 1970. In this decade they have taken over responsibility for the DMZ and virtually the entire forward defense of their nation, and the remaining U.S. division is held in a reserve role. In short, Koreans are able and willing to defend their country.

Equally as important, the situation in the rest of Asia has also changed dramatically over the past decade. Non-Communist Asia has developed impressively; the Communist nations are bitterly divided:

-- Growing Soviet and Chinese military capabilities in East Asia are largely directed toward each other in an absorbing and hostile way. Neither country has shown much capability to translate military power into significant political advantage in Asia. Their ideological attraction for other nations has atrophied. Their dispute has reduced drastically the probability that we would have to fight a war in Asia either against China or against both the Soviet Union and China. We no longer plan forces on the assumption of a possible ground war against China in Asia.

-- Second, the improvement in U.S. relations with the People's Republic of China has marked the end of our confrontation with the world's most populous nation. We believe that the continuation of effective relations with China will strengthen China's stake in regional stability. We look forward eventually to normalizing our diplomatic relations with China in order better to solidify what has already been achieved. We believe there are other problems in the world on which we can cooperate.

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-- Third, Japan's economic miracle has made her a major influence in the region and throughout the world. The U.S.-Japanese security relationship and the close friendship of our two nations is fundamental to our position in Asia. It has enabled both countries to work together in the interest of peace and stability. Our protective umbrella has enabled Japan to play an increasingly constructive role in the area, while within the alliance Japan has developed significant but purely defensive capabilities.

-- Finally, after the collapse of South Vietnam and Cambodia there were grave fears in Southeast Asia of an inexorable Communist tide. It was thought that the elan of the conquering North Vietnamese would in some fashion be translated into victories by insurgents in Thailand and elsewhere. But what has happened? Vietnam, Laos, and Cambodia are in deep economic distress. In fact, historical enmity and national feelings have quickly surfaced, resulting in repeated and serious clashes between Vietnam and Cambodia. The non-communist nations of Southeast Asia, however, are enjoying a period of economic development and we are encouraged by the increasing vitality of ASEAN -- the Association of Southeast Asian Nations. The non-communist Asian nations have also shown a healthy and controlled nationalism and a determination to resist outside pressures.

In short, the situation we find in Asia is significantly different from that in Europe. In Europe the alignments are clear, with Soviet forces and their allies on one side, the U.S. and its allies on the other. The military balance is more easily measured. While in Europe Soviet military capabilities are immense and focused, in Asia the threat to us and to our allies, though real, is more diffuse. Enemies are not always clearly distinguishable. The interplay between the powers is more fluid. Consequently, our defense requirements are less demanding than they are in Europe but in many ways more complex because of the political factors.

The situation in Asia thus is more favorable to our interests than in the past. We want to ensure that this environment continues. We therefore maintain major military forces in the Western Pacific. They include B-52s, ballistic missile submarines, nine U.S. Air Force tactical fighter squadrons, two aircraft carriers, two amphibious ready groups, twenty cruisers and destroyers, two-thirds of a Marine division, and a Marine air wing.

The President has decided that, except for the planned withdrawals from Korea, the United States will maintain this current level of combat forces in Asia. Nor are we neglecting the possibility that many forces stationed in the west could be deployed to Asia in an emergency, just as they could to Europe. This is why we program general purpose forces, with all the flexibility that such forces provide.

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In the next five years we will also be strengthening our forces in the region by the introduction of several advanced weapon systems: TRIDENT nuclear missiles for our submarine fleets, cruise missiles for B-52s, F-14 fighters for our carriers, F-15s for Air Force squadrons, the Aerial Warning and Control System (AWACS), and other improvements. We will maintain the size of our Pacific fleet and modernize and increase it to the extent our shipbuilding schedules permit.

We are taking other defense-related measures to help preserve peace and stability in the area. In Korea we plan to balance the withdrawal of our ground combat forces by helping South Korea improve its own forces through the transfer of necessary equipment to Korean forces and the extension of credits to purchase additional military equipment. We have introduced legislation to this effect in Congress and I will testify in support of that legislation the day after tomorrow. We also will maintain our Air Force in Korea indefinitely and will increase its numbers before the end of this year. Elsewhere in the region we have been actively engaged in negotiations with the Philippines in an attempt to work out a satisfactory agreement on our bases to stabilize and strengthen our presence there. We also have been working steadily to foster closer defense cooperation with Japan within the framework of our Mutual Security Treaty.

Why, you might ask, are these improvements necessary, especially if the situation in East Asia and the Pacific is as favorable as I have just implied?

Let me begin addressing this question by observing that while the situation in Asia is now favorable, there is no assurance that it will remain so -- especially if we were to ignore Asia, diminish our capabilities there and concentrate our attentions elsewhere.

There are major uncertainties in Asia which could threaten future peace in Asia and in Europe. The equilibrium that has emerged in East Asia during this decade -- in which the United States, the USSR, the People's Republic of China and Japan are the principal players -- is not only beneficial to Asia but helps maintain the balance in Europe.

That equilibrium, however, is not necessarily permanent. Soviet military strength in Asia and the Pacific continues to grow. Changes of fundamental strategic significance in Sino-Soviet relations are possible. North Korea is always an uncertain element which could disrupt the peace on the peninsula and embroil the great powers. Economic development of the lesser developed non-Communist nations in the region might falter. Vietnam might undertake an adventurist policy against its non-Communist neighbors. If we don't give Asia its due -- if we don't maintain the necessary military forces, as well as enough economic and political strength in the region to hedge against these uncertainties -- the favorable political balance we now find in Asia could deteriorate rapidly.

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In addition to providing a hedge against future uncertainties, I believe that our continued military presence in the area -- combined with our mutual defense treaties with our principal allies in the region -- significantly increases the probability of sustained peace in Asia. Our military presence strengthens the political inhibitions on potential adversaries and serves the cause of deterrence. It also provides an important psychological element of security to friendly countries. Thus our close alliance with Japan lends steadiness to Japanese diplomacy, contributes to a thriving democracy in Japan and encourages a constructive Japanese role in Asia. Similarly, the ASEAN countries believe our continued military presence in the area provides an important stabilizing factor.

Our military presence also imposes certain defensive considerations upon our would be opponents. The Soviet Pacific fleet must operate with the U.S. Seventh Fleet in mind. Remove a significant portion of the U.S. Pacific Fleet -- or fail to improve our forces as Soviet forces are improved -- and the military and political potential of the Soviet fleet would be considerably enhanced.

Finally, and most importantly, as I said earlier, we are a Pacific power -- with vital interests and solemn commitments in the region. Our military presence and planned improvements to our forces are designed to ensure that we have the capability to continue to protect these interests and meet our commitments. We cannot fail to do that, nor can we avoid our responsibility to maintain peace in the area. For these purposes we will need our forces in Asia for some time to come. Everyone should understand that. The President and this Administration understand it, and will behave accordingly.

Thank you.

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